



RIDLEY Inc.

Winspear Business Reference
University of Alberta
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1999 Annual Report

Ridley Inc. Profile

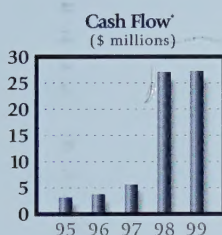
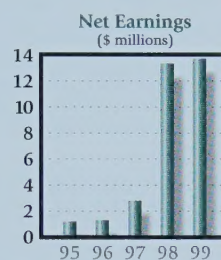
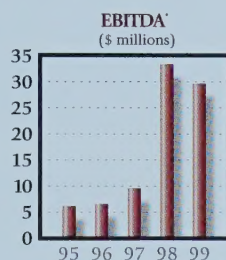
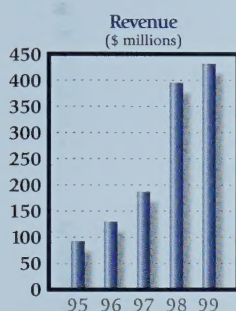


Ridley Inc. ranks among the 10 largest North American manufacturers and distributors of formulated livestock feeds, serving customers throughout western Canada, Ontario, and the north-central region of the United States. It also distributes animal health products that improve the productivity of livestock herds and poultry flocks. Its Canadian operations comprise 16 plants with annual feed production capacity of 780,000 metric tonnes. The Canadian operations also encompass a commercial pig production unit, trading as Quality Swine Systems. Ridley's U.S. operations have 18 plants with an annual production capacity of 940,000 tons (850,000 metric tonnes) of feed. Ridley's products are marketed under a number of highly regarded trade names, including Feed-Rite, Hubbard, Vigorena, Zip Feeds, Daco, Farmix, Quality Feeds, and Crystalyx®. The company's Cotswold operations, located in the United Kingdom, Germany and Canada, export their advanced Cotswold swine genetics to more than 40 countries.

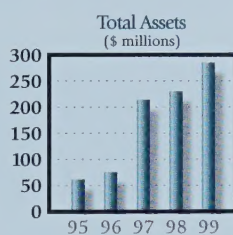
Ridley's strategy to increase shareholder value is to build on its leadership position in its animal nutrition markets and to develop growth opportunities in related businesses where it can meet its profitability and investment return objectives as a high-quality, low-cost producer. Ridley Corporation Limited, Australia's largest livestock feed manufacturer, owns approximately 67.80 percent of Ridley Inc.'s outstanding shares.

Operating Highlights

- Expanded our business outside of North America with the acquisition of Cotswold Pig Development Company, which has operations in the United Kingdom and Germany, and exports to more than 40 countries.
- Completed acquisitions of Macleod Feed Mill in Alberta and Gringer Feeds in Iowa. Commenced construction of Buffalo, Texas plant to produce low moisture blocks and upgraded the dairy blending system at the Lacombe, Alberta facility.
- Invested in Gensel Biotechnologies Ltd., obtaining the right to the worldwide license for its sperm sexing technology for swine, when it is fully developed.
- Changed name from Ridley Canada Limited to Ridley Inc. to reflect the growth of our business in North America and internationally.
- Increased sales volumes and profitability in both the Canadian and U.S. feed operations.
- Initiated quarterly dividends with fiscal 1999 payments of \$2.1 million or \$0.16 per share.



* Cash flow generated from operations before changes in non-cash working capital.



Sales by Product Line Fiscal 1999 and 1998

	%	
	1999	1998
Cattle Feed	36	40
Hog Feed	29	31
Poultry Feed	7	9
Feed Ingredients/Supplements	7	7
Specialty Feed	4	4
Livestock Sales	12	6
Other	5	3

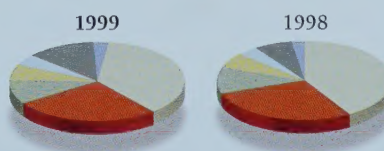


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Chairman's Report



Dr. J S Keniry
Chairman

When Ridley Corporation Limited, Australia's largest livestock feed manufacturer, identified North America as an exciting growth opportunity, its initial investment was the 1994 acquisition in Canada of Feed-Rite Ltd. Feed-Rite, founded in 1939, has begun its seventh decade of operations and, with the addition of several other strategic investments made by Ridley, it continues to grow. Feed-Rite became the foundation on which we built Ridley's Canadian feed business. In 1997, in anticipation of an initial public offering, we changed the Company's name to Ridley Canada Limited.

That same year, Ridley Canada firmly established its presence in the United States with the acquisition of the business of Hubbard Feeds Inc. Like Feed-Rite, Hubbard is a highly respected, well-established business that in October 1998 marked its 70th anniversary of manufacturing feed. Since its acquisition by Ridley, Hubbard's growth has accelerated, aided by investments and acquisitions, and it has significantly increased its profile and presence among distributors and producers in its expanding market area.

In another step with long-term significance, in October 1998, Ridley Canada expanded its business beyond North America with the acquisition of Cotswold Pig Development Company Limited with operations in the United Kingdom and Germany, and exports to more than 40 countries in Europe, Asia, and North America.

With the Cotswold acquisition, the growth of Hubbard and the success of Feed-Rite, Ridley Canada had established a truly international business. To reflect this, at the company's annual meeting in November 1998, our shareholders approved the Board of Directors' recommendation to change the Company's name to Ridley Inc.

Throughout fiscal 1999, Ridley Inc. continued successfully carrying out its strategies in all areas of its operations to increase the value of our company to its shareholders. The Company made several key investments, including the Cotswold purchase; added plant capacity and new products and services; stepped-up its research and development programs; and gained important new customers. All of these measures should contribute to the Company's future growth.

However, both the Company's earnings and the price performance of its shares in fiscal 1999 were disappointing. There were concerns that the unusually mild winter in North America would reduce the overall demand for livestock feed. In warmer weather, livestock, and in particular beef cattle, are able to graze more and require fewer purchased nutrients. In spite of these conditions, Ridley achieved increased sales volumes and profitability for its livestock feed business. Unfortunately, these gains were more than offset by losses incurred in its swine business as the industry experienced the lowest prices in decades.

Indicative of the Company's strength and the directors' and management's confidence in its future, the Board was pleased to approve the initiation of quarterly dividend payments beginning with a first-quarter payment of \$0.04 per share. Total dividends declared for the year amounted to \$2.1 million or \$0.16 per share.

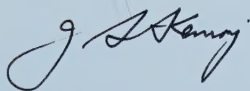
Ridley Corporation demonstrated its confidence in its investment and its view that Ridley Inc.'s shares represented good value by making several purchases of the stock in the open market totaling 1,040,930 shares to increase its investment to 67.80 percent of Ridley Inc.'s outstanding shares.

Recognizing the accomplishments and leadership of Ed Moloney, Ridley Corporation appointed him to serve as its Managing Director, effective December 1, 1998. He remains based in Winnipeg and continues to serve as President and Chief Executive Officer of Ridley Inc., maintaining offices in Winnipeg and Sydney, Australia.

Mr. Moloney's dual role should further the efforts of both companies to achieve greater synergies in a number of critical areas, including research and development, engineering, manufacturing, and marketing, as well as identifying and making the best use of the top people across the group. Since Mr. Moloney's appointment, we transferred Ridley's R&D Manager in Australia, Dr. David Overend, to North America where he can provide his expertise to the increasing development programs being conducted by Ridley Inc. Bob Gallaway, based in Mankato, Minnesota, who serves as the Chief Operating Officer for Hubbard, has assumed the dual role for Ridley Agriproducts in Australia. Another Hubbard executive, John McKee, has been appointed the Chief Operating Officer of Cotswold International.

Reflecting Ridley's international expansion, and the increased size and complexity of the Company, we have created a new senior executive position, splitting the roles of Corporate Secretary and Chief Financial Officer. John Richardson, who formerly held both positions, continues as Corporate Secretary. On June 14, 1999, Craig Sharp joined the Company as Chief Financial Officer. Previously, Mr. Sharp held a similar position for another international publicly listed company whose operations compare in size with Ridley's.

The Board has been very active throughout the year, carrying out an ongoing program of visits to the Company's operations and working closely with management. It is clear to us that by continuing to earn the support of our customers and investors, and with the dedication of our employees across the Company, we feel that Ridley can face the future with confidence.



Dr. J. S. Keniry
Chairman



President & Chief Executive Officer's Report



M E Moloney
President & Chief Executive Officer



Cotswold Pig Development Company's artificial insemination station in Oxfordshire, England, is located on a large private estate, assuring it of excellent health security.

Ridley's accomplishments in fiscal 1999 were many, resulting in a generally solid performance for the year and positioning us for further growth in the future.

Our feed operations in Canada and the United States added customers and increased their sales volumes and profitability despite highly competitive markets and an unusually mild winter.

Contributing to this growth, we completed the acquisitions and proceeded with the integration of Macleod Feed Mill in Fort Macleod, Alberta; Gringer Feed and Grain Inc. of Iowa City, Iowa; and Cotswold Pig Development Company Limited in the United Kingdom. In addition, we formed a potentially significant strategic partnership with Gensel Biotechnologies Ltd. with an initial equity investment in exchange for which Ridley received the worldwide license of its sperm sexing technology for swine. Each of these will be important contributors to Ridley's future growth.

We also made a number of important capital investments to increase our production capacity and serve our customers. These included the commencement of construction of a new plant in Buffalo, Texas to produce low moisture blocks; a new dairy blending system in our Lacombe, Alberta facility; and the expansion of Cotswold's artificial insemination centre at Malonton, Manitoba.

Another accomplishment was the substantial completion of the review and necessary modifications of our computer systems towards ensuring that we are prepared for the Year 2000 issue. In March 1999, we also completed a lengthy project to integrate all of the U.S. and Canadian information systems, giving us a common hardware and software platform for such critical tasks as financial reporting and pricing.

In 1998, our Canadian operations completed a two-year effort to become the only feed company in North America to have achieved the coveted ISO 9001 quality standard. Our U.S. operations have now undertaken to earn this qualification, launching a drive to complete the challenging process in 2000 as a means of demonstrating to our customers our commitment to quality in all of our products and services.

Solid Financial Performance Those are some of the highlights of a year that, with one exception, was very satisfactory. The exception was the performance of the swine industry and its effects on us. Hog prices declined to their lowest levels in decades as the supply of hogs grew and the expected increase in demand did not occur. As a result, we incurred operating losses in our swine business that more than offset the increases in profitability achieved by Ridley's feed business.

Net earnings for fiscal 1999 amounted to \$13.9 million or \$1.04 per share, compared with \$13.5 million or \$1.07 per share in fiscal 1998. The earnings for the year include a foreign exchange gain of \$5.4 million resulting from a capital restructuring of our U.S. operations. Earnings before interest, taxes, depreciation, and amortization (EBITDA) were \$29.4 million in 1999, compared with \$33.1 million in the prior year. Sales by dollars are not a good measurement of our business as they reflect fluctuations in prices of commodities such as grains. Accordingly, we are more concerned with achieving growth in the volume of feed sales, which increased by 14 per cent in 1999. The actual dollar sales level was \$436 million, compared with \$398 million a year ago.

The Management's Discussion and Analysis section of this report, beginning on page 26, provides a complete review of our financial performance and condition.

Strategic Acquisitions and Investments

Since Ridley entered the North American market with the purchase of Feed-Rite, we have achieved growth through a combination of investing to expand our established operations and by making strategic acquisitions that enabled us to enter new markets and/or add new products and customers. This continued to be our strategy in 1999 and we expect that it will be for years to come.

We also have divested those operations that either were not a part of our core business or did not demonstrate that they would meet our objectives for growth and return on investment. For example, in fiscal 1999, we sold our turkey and chicken farms in Manitoba, and a feed plant in New Liskeard, Ontario.



Ridley's new low moisture block plant in Buffalo, Texas significantly increases the Company's production capacity for this product, allowing it to better serve important new market areas.

The most significant of our facility investments is the new feed plant in Buffalo which is planned to commence production in late September 1999. Completion of this important new plant was somewhat delayed by unusually heavy rainfalls last winter that hindered site preparation work and, in fact, affected all construction in eastern Texas.

The Buffalo plant is strategically located between Houston and Dallas-Ft. Worth, a significant market area for beef cattle. Ridley is the largest manufacturer in the United States of low moisture feed supplement blocks. Our Buffalo plant will be one of the largest and most-efficient facilities producing low moisture blocks in the U.S.

The plant will be producing low moisture blocks for Hubbard Feeds as well as for private label customers, including PM Ag Products. In May 1998, we acquired the assets of PM Ag Products' low moisture blocks business. We agreed to supply PM Ag Products' requirements for low moisture blocks to be sold under its own trademarks and labels. Hubbard also has worked hard to increase its private label production business for other customers, with considerable success.

In Canada, in addition to completing expansions of our Humboldt, Saskatchewan plant and Lacombe facility, we are proceeding with upgrades and capacity expansions of the feed mill in Grunthal, Manitoba and a pre-mix plant in Winnipeg. We are reviewing other expansion plans for fiscal 2000 and future years.

In acquiring Macleod Feed Mill Ltd., we purchased an operation with which our Feed-Rite division had worked closely since 1994. Feed-Rite had a toll-milling arrangement with Macleod and supplied about 7,000 tonnes of its annual 30,000 tonnes of feed sales volume. The acquisition improved our ability to serve our customers in southern Alberta and northern Montana, and to improve our efficiencies in this market area.

The acquisition of the assets and business of Gringer Feed and Grain Inc., completed on October 30, 1998, added significant volume to our Iowa City plant as well as many new customers. Gringer supplied the retail and wholesale markets with high-quality branded and private label products, and custom base mixes, concentrates, and complete feeds.

These fit well with our high-quality feed products. The integration of this business into the Iowa City facility, now largely completed, has exceeded our pre-acquisition expectations.

Also in the U.S. market, Hubbard continued to carry out a strategy of making small investments in various large-scale livestock producers. Such investments help to cement our relationships with producers who become loyal feed customers of the Company.

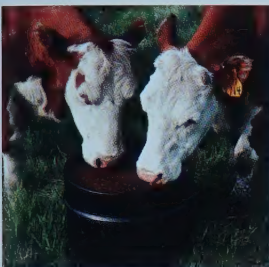
The acquisition of Cotswold Pig Development Company on October 9, 1998, was our largest transaction of the year and should prove very significant over the longer term. Cotswold supplies swine genetics to customers in more than 40 countries throughout Europe, North America, and Japan. It also is internationally recognized for its genetic research and improvement programs and, combined with Ridley's capabilities in this area, will establish us at the leading edge of pork development.

We took another important step in this respect with our April 1999 investment in Gensel Biotechnologies Ltd., a publicly owned company listed on the Alberta Stock Exchange. Our initial equity investment of \$250,000 made through a private placement may be increased to as much as \$1 million over time. In making this investment, we obtained the right to the worldwide license for Gensel's sperm sexing technology for swine, when fully developed.

Gensel's technology, if successful, has the potential to dramatically improve the profitability of swine, beef, and dairy production. Cotswold's pig breeding facilities will be working closely with Gensel to further its development and to conduct extensive field trials. Ridley is one of a number of major companies that is supporting and working with Gensel.



Cotswold is continuously researching scientific innovations that will allow faster genetic improvements in swine, enabling the development of new products that meet a wide variety of global market requirements.



The hygroscopic qualities of low moisture blocks help to ensure a regulated and consistent intake of feed nutrients.



Growth Will Continue in 2000

The investments made during the past several years should make further contributions to our growth in sales volumes and profitability in the future. We expect to benefit from the investments made to add capacity and improve productivity. We will continue as well to review new investment opportunities that meet our stringent criteria in terms of their ability to complement our existing business by enabling us to add customers, enter new markets, or acquire high-quality product lines, and that can contribute to financial performance.

Our principal concern continues to be the performance in the near term of the swine business. While there are some signs that pricing is firming in the first part of fiscal 2000, it is not yet clear when significant strengthening can be expected. The supply of hogs remains high, but the demand has only somewhat improved and further balance will be needed to bring prices back to acceptable levels.

As the current industry situation causes changes, including consolidation among producers, we will be alert for opportunities to participate in this process. As well, we continue to refine our risk management strategy in our Quality Swine System to minimize our exposure to price fluctuations in these operations.

Indications for the feed business, which in 1999 represented 82 percent of our consolidated sales, are that we can look forward to further growth in revenues and profits in 2000. We are taking steps as well to ensure that we continue to focus on cost controls and our responsiveness to fluctuating commodities prices.

The acquisitions and investments made during the year resulted in an increase in our net debt position to \$125.8 million, and long-term debt represented 52.2 percent of total capitalization. We will look to somewhat reduce the debt level in 2000.

Our achievements in 1999 are significantly attributable to the outstanding efforts of our dedicated and highly skilled employees across our operations. I thank them for their efforts, as well as our directors and shareholders for their support throughout the year.



M. E. Moloney
President and Chief Executive Officer



Ridley has recently combined all of its Cotswold businesses into a separate operating division, to be known as Cotswold International.



Ridley Inc. North American Operations

- | | | |
|---------------------------------|-----------------------------|------------------------------|
| 1 Rocky Mountain House, Alberta | 15 Brandon, Manitoba | 29 Sioux Falls, South Dakota |
| 2 Rimbey, Alberta | 16 Austin, Manitoba | 30 Alexandria, Minnesota |
| 3 Lacombe, Alberta | 17 Killamey, Manitoba | 31 Worthington, Minnesota |
| 4 Linden, Alberta | 18 Manitou, Manitoba | 32 Mankato, Minnesota |
| 5 Fort Macleod, Alberta | 19 Arborg, Manitoba | 33 Sioux City, Iowa |
| 6 Lethbridge, Alberta | 20 Malonton, Manitoba | 34 Storm Lake, Iowa |
| 7 St. Paul, Alberta | 21 Winnipeg, Manitoba | 35 Iowa City, Iowa |
| 8 Vermilion, Alberta | 22 Grunthal, Manitoba | 36 Fremont, Nebraska |
| 9 Lloydminster, Alberta | 23 Bismarck, North Dakota | 37 Lusk, Wyoming |
| 10 Swift Current, Saskatchewan | 24 Grandin, North Dakota | 38 Shipshewana, Indiana |
| 11 Saskatoon, Saskatchewan | 25 Whitewood, South Dakota | 39 Botkins, Ohio |
| 12 Prince Albert, Saskatchewan | 26 Rapid City, South Dakota | 40 Mitchell, Ontario |
| 13 Humboldt, Saskatchewan | 27 Watertown, South Dakota | 41 Stockton, California |
| 14 Reston, Manitoba | 28 Huron, South Dakota | 42 Buffalo, Texas |



Ridley Inc. European Operations

- | | |
|------------------------------|-------------------------|
| 1 Rothwell, Lincolnshire | 6 Fawley, Staffordshire |
| 2 Claxby, Lincolnshire | 7 Edgecote, Oxfordshire |
| 3 Moortown, Lincolnshire | 8 Tytherley, Wiltshire |
| 4 Barsey, Lincolnshire | 9 Wye, Kent |
| 5 Colsterworth, Lincolnshire | 10 Lemgo, Germany |

United States Operations



R B Gallaway
Vice-President, U.S. Operations



Hidley's U.S. operations include eighteen animal feed production facilities, of which four are dedicated to the production of low moisture feed supplement blocks.

Founded in 1878 as a flour miller on the banks of the Minnesota River, Hubbard Milling produced its first formulated feed product, "Sunshine Feeds", in 1928 from the protein-rich by-products of flour milling.

HUBBARD
MILLING Co.

D M PALMER President C H PALMER Sales Manager
F E BROWDER, Vice President H R HARMER Asst. Sales Manager
MANKATO, MINN.



May 22, 1929

Ridley's U.S. operations, doing business under the Hubbard Feeds name and headquartered in Mankato, Minnesota, marked their 70th anniversary with a very active, productive, and successful fiscal 1999, as it increased feed sales and profits.

While Hubbard made its first commercial shipments of feed in October 1928, its roots actually go back another 50 years to when R.D. Hubbard proceeded with the groundbreaking in Mankato of the Hubbard Flour Mill.

In deciding to enter the feed business, Mr. Hubbard's partner, George W. Palmer, issued an edict stating, "Make a feed that will make a profit for the man who feeds it, or don't go into the feed business at all." In retaining an authority from Iowa State College to consult on the feed formula, Mr. Palmer wrote to him that he wanted a "high-class feed" and that "We shall not attempt to put anything over on the farmer; if we cannot be of service to the farmer, we do not want to go into the proposition at all." This dedication to quality and innovation continues to characterize Hubbard Feeds.



By the end of fiscal 1999, with the growth of its business during the year, including the acquisition of the assets and business of Gringer Feed and Grain in Iowa City, Iowa, Hubbard's operations totaled 18 production plants (including the new Buffalo, Texas facility planned to open September 1999), with the capacity to ship 940,000 tons of feed annually, and employing more than 550 people.

The Buffalo plant will produce low moisture feed blocks, which are a convenient and effective means for delivering supplemental nutrition to grazing animals, particularly cattle. Low moisture blocks use cane or beet molasses as a base, into which are blended dry feed ingredients, minerals, and vitamins. They are produced in a precisely controlled production process that reduces the moisture content to about two percent. Low moisture blocks are highly weather-resistant, and provide a more regulated and consistent delivery of feed nutrients than do other types of feed blocks. Ridley is the largest manufacturer of low moisture blocks in North America.



Construction of the new low moisture block facility in Texas is nearing completion, and will extend Ridley's leadership as the largest manufacturer of low moisture feed blocks in North America.



Low moisture feed blocks are formulated for cattle, horses, buffalo, sheep and goats, and are designed to supplement the nutrient qualities of natural forages and pasture grasses.

The new Buffalo plant gives Hubbard a multiple-line facility that is one of the largest low moisture block production facilities in the United States. It will assist Hubbard in meeting the growing demand for its own brands of low moisture blocks, such as Crystalyx® supplement blocks, as well as its increasing private label business resulting from its successful efforts to work with other distribution companies. In the past five years, Hubbard has achieved a more than three-fold increase in its private label business for low moisture blocks.

Pig starter feeds are high quality, complex diets with concentrated protein ingredients that are more easily digestible by young pigs. Excellent growth in shipments of swine starter feeds was recorded by Hubbard in fiscal 1999.

This private label business received a significant boost when Ridley acquired the low moisture blocks business of PM Ag Products in May 1998. PM Ag had been producing low moisture blocks at three plant locations. Under terms of the May 1998 agreement, PM Ag agreed to sell, under its trademarks and labels, blocks manufactured by Hubbard. As the production capacity for the new Buffalo plant comes on stream in fiscal 2000, Hubbard will not only be PM Ag's exclusive supplier for all of its low moisture block requirements, but also will be able to service a growing demand for the product.

The distribution of low moisture blocks in Canada also significantly increased under an arrangement with Feed-Rite. Feed-Rite is using its distribution network in western Canada to market RITE LIX™ low moisture blocks.

During 1999, Hubbard also effectively completed the full integration of Zip Feed Mills into its operations, realizing the expected efficiencies and cost savings. Zip Feeds, acquired in September 1996, included three feed mills in South Dakota and North Dakota. Hubbard also proceeded with the successful integration of Gringer Feed and Grain, acquired in October 1998, into Hubbard's Iowa City production facility, retaining its customer base.

One of the benefits of the Gringer acquisition was its strong retail presence in the swine business in the surrounding market area. Swine products accounted for 80 percent of its feed manufacturing volume. With the addition of Gringer, Hubbard now serves through direct sales many of the largest producers in the market area served by the Iowa City facility.

As well, Hubbard continues to work hard to maintain and build its relationships with feed dealers, thereby increasing its volume of shipments to this market segment as the trend toward creating fewer and larger dealers through consolidations reshapes the industry.



Hubbard Feeds is in the process of developing research partnerships to support its growing swine feed business.



Despite the mild winter, resulting in herds doing more range grazing, Hubbard was able to record some impressive increases in sales. Reflecting its ability to deal more directly with producers, Hubbard was able to increase the volume of its dairy feed shipments by more than 20 percent, together with substantial growth in shipments of mineral products, pet and specialties (particularly horse feeds).

The Company also recorded an impressive 35 percent gain in shipments of complete swine starters for nurturing baby pigs. This gain is particularly notable in light of the historically low pricing levels for swine. It reflects Hubbard's ability to be involved with the consolidation within the swine industry and its ability to take creative approaches to serving our customers' needs.

Hubbard's product lines, services, research and development programs, and other information can be studied in more detail at the Company web sites on the Internet at www.hubbardfeeds.com and www.crystalyx.com. Hubbard continues to revise and improve its web sites, recognizing them as an increasingly useful marketing tool with its customers.



The increasing popularity of the Internet helps Ridley and its operating divisions to communicate with its customers and with investors in a convenient and effective manner.

Hubbard completed a nearly two-year program to integrate its computers with Ridley's network and at the same time resolved substantially all the problems associated with the Year 2000 issue.

The U.S. operations also have taken up the challenge to earn the important ISO 9001 quality registration, following the example previously set by the Canadian plants that received the registration last year.

Hubbard's business is evolving and changing as producers consolidate and do more direct purchasing rather than through distributors. The increasing sophistication of the market has resulted in a gradual change in Hubbard's sales and marketing staff, a growing proportion of which are becoming specialists in one type of livestock and its requirements, with a corresponding reduction in the number of generalists. These species specialists work closely with our customers, helping to provide the information and productivity tools that will enhance our customers' profitability. We continue to view helping our customers to succeed as the best way to assure our own success.



Greg Vander Wal confers with Dr. Rich Larson of Hubbard Feeds in the milking parlour at the Vander Wal Brothers dairy operation in Slayton, Minnesota.



Canadian Operations



G W Vis
Vice-President, Canadian Operations



Quality Feeds in Lacombe, Alberta, acquired by Ridley in 1995,
produces a full line of complete feeds for the central Alberta market.

A pattern of steady growth began in 1967 for Feed-Rite, when ground was broken for construction of a new feedmill in Brandon, Manitoba.



For the Canadian operations, 1999 had added significance as Feed-Rite celebrated its 60th anniversary.

Feed-Rite's history can be traced to 1927 when Cyril Leonard "Andy" Anderson, the Company's founder, joined the feed division of Canada Packers in Winnipeg. There, he helped to develop and introduce modern livestock feed nutrition by adding bone meal, fish meal, and alfalfa to farm-grown grains. He recognized the importance of sound feeding and management practices to optimize poultry and livestock production.

In 1939, Mr. Anderson formed his own company, calling it Feed-Rite Mills, to focus on the importance of advanced feeding practices. He was one of the first to employ a professional animal nutritionist and agricultural graduates trained in animal and poultry science. He pioneered many other new concepts, and developed close relationships with his customers, giving livestock producers the knowledge and products they needed to be successful. Sixty years later, the company continues to thrive and build on the foundation that Andy Anderson established.

In fiscal 1999, Feed-Rite met its targets in its feed business by adding important new customers and increasing feed volumes. The increased volume aided plant efficiencies, a key factor in achieving increased profits in its feed operations. Despite historically low commodities prices, margins on feed sales remained stable. The Canadian feed operations reported earnings before interest and taxes (EBIT) of \$11.3 million, an increase of \$1.2 million from fiscal 1998.

Low Swine Prices Impact Results Unfortunately, the strong performance of Feed-Rite's feed operations was more than offset by the losses recorded by its Quality Swine Systems (QSS) division.

QSS buys weanling pigs under contract from commercial breeders, who source their stock and semen from Ridley's Cotswold operations. Working with a network of more than 100 individual pig producers across western Canada and the north-central United States, QSS contracts for the weanlings to be grown to market weight, at which time they are sold to pork processors. QSS employs a risk management program to help protect it from fluctuations in hog market prices, feed ingredients, and currency exchange rates.

QSS completed a two-year expansion program in 1999, increasing its shipments of market pigs to approximately 185,000, all of which are grown on Feed-Rite feed. As it turned out, the completion of the expansion program took place when short-term demand for pork was reduced, largely caused by a temporary shortage of slaughter processing capacity and economic turbulence in the Far East. At the same time, increased supplies of pork resulted in the lowest hog prices in decades.

Reflecting these market conditions, and in spite of its risk management strategy, QSS experienced an operating loss before interest and taxes of \$8.6 million. The Canadian operations consequently reported an EBIT of \$2.7 million in 1999, down from \$8.3 million in 1998.

Although the short-term impact of the QSS results on the Canadian operations was disappointing, the business generates considerable feed volume for Feed-Rite, helping the production efficiency of the feed mills, and assuring our share of the swine feed market.

Feed-Rite believes that the long-term outlook for pork produced in North America remains very positive. The relaxation of international trade barriers, elimination of transportation subsidies, and rising real incomes in countries where pork is a preferred meat product are expected to result in long-term growth in the demand for pork.



Ridley's Board of Directors joined Feed-Rite's customers and staff in celebrating 60 years of service to the agricultural community.



Strength in Feeds Business Shipments of feed supplements for the beef industry declined as a result of the warmer winter weather. However, this was more than offset by higher sales of poultry feed and particularly swine feed products. Dairy feeds were flat compared with the prior year. Notable among Feed-Rite's new customers is the Price family's Sunterra Farms, a significant producer, processor, and marketer of pork, based in Alberta. Sunterra processes some 3,000 pigs per week produced in a multiple-site system from a base of 8,500 sows located northeast of Calgary.



Dave Price of Sunterra Farms is a valued new customer of Feed-Rite's Linden feedmill. The Price family has been prominent in farming and livestock production in Acme, Alberta for over 50 years.

The integration of the operations of Macleod Feed Mills, acquired in July 1998, also contributed to the growth of our business. Macleod, a former distributor for Feed-Rite, had annual sales volume of about 30,000 tonnes to southern Alberta customers, of which 7,000 tonnes was supplied by Feed-Rite. Macleod's performance has exceeded our pre-acquisition expectations for sales volume and earnings.

Among our product introductions, the most significant in fiscal 1999 was the first full year of marketing Hubbard's very successful low moisture blocks supplement in Canada under the RITE LIX™ name. Backed by active dealer training and promotion programs, sales of RITE LIX™ low moisture blocks were excellent for the year and we expect that they will continue to be a significant contributor to Feed-Rite's growth.

With the addition of Macleod, Feed-Rite's Canadian operations comprised 16 plants with the capacity to produce approximately 780,000 metric tonnes of feed annually, and employed about 400 people at year-end.



The acquisition of Macleod Feed Mills in July 1998 allows Ridley to more effectively serve its customers in southern Alberta and northern Montana.

New Quality Program Feed-Rite's ISO 9001 quality registration led to the development of several continuous improvement projects to the benefit of customers and the entire Feed-Rite organization. We are currently extending ISO 9001 programs to our acquired operations. In addition, we have initiated another step in our drive for quality by introducing HACCP (Hazard Analysis Critical Control Points).

HACCP is an internationally recognized, systematic approach to controlling food safety during manufacturing. HACCP is aimed at ensuring that food and food products are produced safely for consumers. In introducing HACCP, Feed-Rite is acting to align our programs with those being carried out by our customers and the livestock and poultry processors who also are adopting it for their operations.

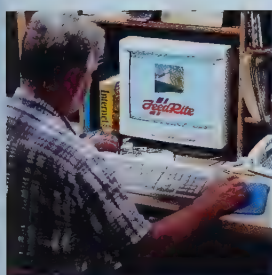
Another important effort was ensuring that all of Feed-Rite's information systems are prepared for the Year 2000 issue and work on this was largely completed by the fiscal year-end. The information systems team also prepared to launch web sites for Feed-Rite and Ridley Inc. in fiscal 2000. The sites will provide important information to customers, as well as to investors and others interested in the business and performance of Ridley, and will include links to Hubbard, Cotswold, and Ridley Corporation in Australia. The site addresses for Feed-Rite and Ridley Inc. will be www.feedrite.com and www.ridleyinc.com, respectively.

Consistent with our focus on Feed-Rite's core business and to achieve further operating efficiencies, in the past year we sold our chicken and turkey farms in Manitoba, and a feed plant in New Liskeard, Ontario.

Feed-Rite's most significant capital investments in 1999 were the completion of an expansion of its Humboldt, Saskatchewan feed mill and the installation of a dairy feed blending system at its Lacombe, Alberta plant. Looking ahead, we are planning to upgrade our Grunthal, Manitoba plant, which will add capacity to this full-line feed mill and improve quality. Additionally we plan to expand our micro pre-mix plant in Winnipeg which supplies Feed-Rite and Hubbard with vitamin and trace mineral mixes.



Ridley has a continuing commitment to quality in its products and services. Having received the ISO 9001 quality registration, the Canadian operations will begin work on introducing the HACCP program in its facilities.



Two years ago Gerrit Yff and his family came to Canada from Flevoland in Holland. Their very successful dairy at Penhold, Alberta is serviced by the Quality Feeds mill in Lacombe.

Cotswold Operations



John McKee
Chief Operating Officer, Cotswold



The United Kingdom leads the world in the growth of outdoor pig production, and Cotswold has been one of the fastest-growing companies within this specialist sector.

Ridley's association with the Cotswold Pig Development Company of the United Kingdom (Cotswold U.K.) dates back to 1992, when Ridley obtained from Cotswold the exclusive rights to breed and market the Cotswold pig in Canada, through its subsidiary, Cotswold Canada Ltd. Cotswold U.K. supplied swine genetics from its development herds in the U.K., and provided technical assistance regarding efficient production and genetic selection, as well as assistance in developing a retail genetics business.

Cotswold U.K. is an award-winning, science-based global pig breeding company, internationally recognized for its breeding capabilities and the excellence of its leading-edge genetics research. It has been the recipient of various awards, including the prestigious Queen's Award for Technological Achievement, the only livestock company to be so recognized. Cotswold also received the Queen's Award for Export Achievement, having exported its swine genetics to more than 40 countries. Cotswold U.K. has, through a number of franchise arrangements, established nucleus populations to produce and market its pig genetics in the important European Union markets of Italy, Spain, France, and Ireland. Nucleus herds have also been established in the United States, Canada and in Asia, through its arrangements in Japan. Cotswold also operates a genetics business in Germany through its subsidiary in that country. Cotswold has successfully established itself in the markets of the European Union, increasing its share of breeding stock sales, and recently opened a new market in Russia.

The genetically advanced Cotswold sow is highly prolific, farrowing large litters with subsequent heavy weaning weights. The Cotswold boar lines are genetically superior, with an outstanding ability to grow lean meat efficiently, particularly at the heavier slaughter weights required by an increasing number of pork processors. Besides their fast growth and excellent feed efficiency, Cotswold pigs are also known for very desirable carcass traits, resulting in higher price premiums from pork processors.

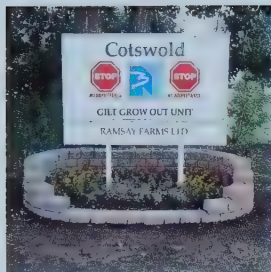
Ridley has achieved many synergies through its investment in Cotswold Canada. The link between Cotswold Canada and Feed-Rite has resulted in many new customer relationships. In fact, 90% of Cotswold's customers in western Canada also use Feed-Rite nutrition. This linking of genetics and nutrition results in production efficiencies for the swine producer, and superior pork products for the consumer. Based on its years of success in working with Cotswold U.K., Ridley made a strategic decision to acquire the company, completing the purchase on October 9, 1998. The combination of the research capabilities of Cotswold U.K. with Ridley's feed operations will be unique in the swine market and will offer significant benefits to our customers worldwide.



Cotswold delivers its genetically advanced breeding pigs in a fleet of lorries specifically designed to assure their safe transport.



Brad Ramsay of Ramsay Farms Ltd. and George Croome of Cotswold Canada review weight gain records maintained for individual litters of pigs to indicate the performance of specific feed diets. Ramsay Farms operates a gilt grow out unit for Cotswold south of Sylvan Lake, Alberta, and buys its feed from Quality Feeds in Lacombe.



In order to achieve the greatest synergies from a management, marketing, and research and development perspective, Ridley has combined its Cotswold businesses under the name Cotswold International. John McKee, who was formerly a senior executive with Hubbard Feeds, has been appointed Chief Operating Officer of Cotswold International.

Cotswold International includes the Company's pig breeding and marketing operations in the United Kingdom, Germany and Canada, as well as its global export sales. Operating results reported in fiscal 1999 include the U.K. and German companies from the date of acquisition on October 9, and the Canadian operations for the full year. Fiscal 1998 includes only the Canadian company's results. The Division's loss before interest and taxes was \$4.1 million in 1999, reflecting reduced margins and sales volumes, as a result of customers delaying the replacement of their breeding stock in reaction to reduced prices for commercial slaughter pigs, which were the lowest in decades. Management is confident that the Cotswold Division will return to profitability as pig prices rise to more normal levels.

With the technology involved in swine genetics developing rapidly, the acquisition of Cotswold by Ridley will increase the resources available for widening our science base, putting us in the best possible position to take advantage of technological developments as they occur. Cotswold already has a highly developed international science strategy and this will allow us to compete for the position as market leader. Breeding pigs is rapidly moving from applied genetics to applied biotechnology. With Ridley's interests in agri-sciences through its feed operations, this will allow us to take advantage of our world-wide contacts by integrating genetics and nutrition.

Another potentially significant investment made by Ridley in 1999, as a result of its association with Cotswold U.K., was the initial purchase in April of shares in Gensel Biotechnologies Ltd. In exchange for an equity investment of \$250,000, which could increase to \$1 million over time, Ridley will have rights to an exclusive 18-month license of Gensel's sperm sexing technology for swine, once it has proven to be a commercial product. After the 18-month period, Ridley's license will be non-exclusive.

Ridley will assist Gensel in developing its technology by making the Cotswold breeding facilities available for extensive field trials and teaming our genetic scientists with theirs. Gensel was founded in 1996 to commercialize unique sperm sexing technology developed at the University of Guelph, Ontario. The objective of the research is the natural pre-selection of male and female sperm for artificial insemination of cattle, swine, and other livestock.

Gensel's sperm sexing technology should increase the probability of achieving the preferred piglet gender to around 90 percent from the current 50/50 chance of getting male or female offspring. Producing pigs of a single gender greatly simplifies feeding and management. By being able to choose female or male piglets from individual sows, a swine breeder could achieve more efficient production of herd replacements, faster genetic improvement, higher product quality, and better profitability.

Cotswold's mission is to be the best provider of quality breeding stock for swine producers around the world. The Gensel technology could significantly improve the productivity and profitability of Cotswold's international swine genetic business. With the Gensel agreement, Ridley will be able to offer Gensel sperm sexing technology along with the Cotswold line of pig genetics.



Reg Fredborg of Cotswold Canada and Edward Wollman, the Hog Manager at Clearwater Colony Farm Ltd., discuss a new feed formulation. Clearwater Hutterite Colony operates a dairy, poultry farm, and a farrow-to-finish hog unit, using Cotswold's advanced genetics. The Colony has been a Feed-Rite customer for many years.



R &D for more efficient livestock production also contributes to the environment

Ridley's reputation and success continues to be largely attributable to its emphasis on research and development (R&D). The Company's R&D efforts in its livestock feed business are devoted to the optimal balancing of ingredient costs with the nutrient needs of each animal species at the different phases of its growth cycle. We are continuously developing new formulations and testing their effectiveness in extensive field trials.

Even slight changes in feed formulations can dramatically affect the efficiency of raising livestock and the quality of the animal produced. Another benefit of scientifically designed feeding formulas and programs is the positive impact they may have on the environment.

For example, modifications to the diet for pigs and carefully calculated feeding programs can substantially reduce the amount of manure produced and significantly lower its nitrogen content. One benefit of lower nitrogen content is a reduction in odour. Ridley's nutritionists formulate swine diets taking into account the available amino acids and ideal protein ratios. Such formulation results in improved feed efficiency, reducing the manure produced by a pig, and significantly lowering the nitrogen content. Adding certain enzyme-producing bacteria to the diet also assists in breaking down solids, reducing ammonia in manure storage systems.

Additional R&D effort is expended on the manufacturing process to ensure that the feed is produced in a manner that will contribute to the most-efficient feeding program. By grinding the grain portion of a pig's diet at a uniform and specified micron size, there can be a significant improvement in feed utilization by the pig. This improvement in feed utilization results in cost savings for the producer, but just as significant is the reduction in waste produced by the pig.

Ridley also has worked with several universities on studies confirming both the nutritional and environmental benefits of Hubbard's low moisture block feed supplements. It has been shown to result in significant improvement in the conversion of pasture grazing into animal weight gains by enhancing the digestibility and intake of lower-quality forage.

The use of low moisture block supplements such as Crystalyx® blocks improves pasture management by reducing over-grazing in prime areas, cost-effectively attracting livestock across the range to lower-quality forage areas. As a result, forage is used more fully, uniformly, and to highest profit. Spreading the use of rangeland forage allows plants to grow more vigorously, maintaining or even increasing cover.

Environmental benefits of a range grazing management strategy, using low moisture blocks, include more uniform use of forage, reduced pollution of watering areas, and less trampling and erosion of stream banks.



Ridley's focus on research and development provides an important competitive advantage. In particular, the linking of genetics and animal nutrition is unique in the swine market, and will offer significant benefits to our customers.



Crystalyx® brand low moisture blocks are produced in reusable steel barrels that endure rough treatment on the range and stay put in strong winds.



University studies, funded by Ridley, also have demonstrated that use of its low moisture block products contribute to better weight gain, more efficient use of roughage, improved mineral absorption, and higher conception ratios.

A portion of Ridley's R&D efforts is devoted to the development of increasingly sophisticated software programs that model optimal feeding programs and mixes for livestock. The Company's species specialists, nutritionists, and veterinarians work closely with its customers on developing and modifying nutritional programs.

Ridley's large staff of full-time nutritionists and species specialists includes 19 people with Ph.D degrees and/or Doctors of Veterinary Medicine. Our R&D programs have benefited from exchanges of information with Ridley Corporation of Australia, and the coordination of efforts will be enhanced with the transfer this year of Ridley's Research and Development Manager, Dr. David Overend, from Australia to North America.

Ridley's R&D staff, and the thrust of its initiatives, were further enhanced by the acquisition in October 1998 of Cotswold Pig Development Company. Cotswold has four Ph.D geneticists based in the United Kingdom.

Swine genetic improvement is the core of Cotswold's operation. Cotswold's focus is on being constantly able to develop new methods to achieve faster genetic improvements to meet the needs of producers and processors around the globe. It has invested particularly in technology to identify genes specifically related to determining litter size, meat quality, resistance to disease, and growth rate. In recent years, for example, Cotswold succeeded in locating marker genes for litter size and it is incorporating these into its breeding program. Cotswold has established a DNA library facilitating the tracking of genes across generations, making faster improvements possible.

Cotswold's in-house geneticists work with a team of retained consultants of international reputation, and with a worldwide network of universities and research centres. Current collaborative research projects are underway at London University's Imperial College at Wye, the University of Bristol, Glasgow University, The Roslin Institute in Scotland, the University of Nebraska, Iowa State University and the University of Manitoba. Cotswold is a shareholder in Rosgen, the genetic research unit of The Roslin Institute. This global research alliance policy enables Cotswold to take the earliest advantage of new developments and implement them for the benefit of its customers.

As a result of its investment in Gensel Biotechnologies Ltd., Ridley and Cotswold are helping to develop sperm sexing technology for swine, based on research previously undertaken at the University of Guelph. Gensel's technology, initially developed for cattle, identifies cell membrane proteins, some of which are found in male cells and others in female cells. Antibodies can then be used to selectively identify and separate sperm which are carrying the male Y-bearing and female X-bearing chromosomes.

Ridley, together with other significant agribusiness companies, are working with Gensel to further the development of its technology, which could have major, long-term benefits for livestock producers.



Jan Guertz of Quality Feeds meets with Giaron Ormond of Partners in Pork, a 2,400 sow producer near Rimby, Alberta. Modern swine management embraces cost-saving technologies such as split-sex feeding and phase feeding, where feed rations are tailored to the specific nutrient requirements of each stage of maturity.

Meishan sows originating from the lakes and valleys region of China are housed at the R&D unit at Wye College. The Meishan pig is one of the most prolific swine breeds in the world with large litter size and high embryo survival rates, and commonly produces two litters per year. Cotswold is collaborating with Wye College on a project to harness the benefits of these traits.





J S Keniry*, BSc, PhD, FTSE, FRACI, FAICD
Chairman, Age 56

Director and Chairman since 1997. Director of Ridley Corporation Limited, Australia, since 1990 and its Chairman since March 1994. Formerly held executive positions with leading Australian public companies, CSR Limited and Goodman Fielder Limited. Presently Chairman, Australian Wine and Brandy Corporation; Chairman, National Registration Authority for Agricultural and Veterinary Chemicals; Chairman, Sugar Australia Pty Ltd; and a Director of a number of other statutory bodies and companies. Member of the (Australian) Prime Minister's Science, Engineering and Innovation Council; Fellow of the Royal Australian Chemical Institute, Australian Academy of Technological Sciences and Engineering, and the Australian Institute of Company Directors.



M E Moloney*, FCIS, FNIA, FCIM
President, Chief Executive Officer, and Director, Age 47

Director, President and CEO of Ridley Inc. since June 1994, and Managing Director of Ridley Corporation Limited, Australia since December 1998. Previously General Manager-Finance, and Company Secretary with Ridley Corporation Limited from 1990 to 1994. From 1983 to 1990, held various positions with Goodman Fielder Limited, including Financial Controller of PNG Division and Financial Controller of AgriProducts Division.

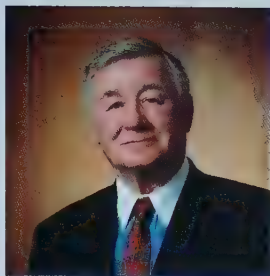


J C Brown**, BSA, MSc, PAg, FAIC
Non-Executive Director, Age 70

Director since May 1997. Since 1996, Principal, J.C. Brown Consulting Services. Formerly Vice-President, Marketing with Feed-Rite Ltd. and earlier held a senior position with the Canadian Wheat Board. Former National Director of the Agricultural Institute of Canada and Past President of the Manitoba Institute of Agrolgists. Actively involved in western Canada's agri-business sector for more than 45 years.

* Compensation Committee Member

• Audit Committee Member



R L M Dawson*, MA
Non-Executive Director, Age 64

Director since May 1997. Principal of Fulcrum Associates, a Winnipeg consulting firm specializing in value-added agriculture and sustainable development. Held senior management positions with Cargill Inc. in Europe, South America and Canada, including responsibilities for grain marketing, the feed industry, the seed business, and corporate affairs. Chairman of the Winnipeg Commodity Exchange, 1978. Served on Canada's Agricultural Advisory Committee to the "Uruguay" GATT Round and on the Economic Innovation and Technology Council of Manitoba.



L J Martin, PhD
Non-Executive Director, Age 54

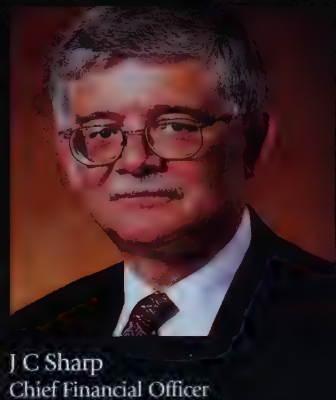
Director since May 1997. Chief Executive Officer of the George Morris Centre since its inception in 1990. Previously Professor and Chair, Department of Agricultural Economics and Business, University of Guelph. Served on the Public Advisory Committee on Regulation Review for Agriculture Canada and as Chair, Canadian Agri-Food Competitiveness Council (1991 - 1994). Has extensive experience in competitiveness and trade issues and has facilitated the strategic visioning, planning, and development of strategic alliances for many organizations.



R G Seldon*
Non-Executive Director, Age 56

Director since May 1997 and a Director of Ridley Corporation Limited, Australia since December 1990. Chairman of Windsor Farm Foods Group Ltd; Balfour Wauchope Ltd and the Australian Horticultural Corporation. A former Director of the Australian Fisheries Management Authority and several public companies. Chairman of Seldon & Associates Pty Ltd which provides specialist financial advice and corporate advisory services. Previously Chief Executive of a major U.S. banking subsidiary in Australia. Involved in the merchant banking industry for more than 35 years and has substantial interests in the rural sector including cropping, cattle breeding, and wool production.

Management's Discussion & Analysis



The following discussion and analysis should be read in conjunction with the Company's financial statements which appear on pages 33 to 51 of this report. Unless otherwise indicated, references to years refer to the Company's fiscal years ending June 30.

Results of Operations

Ridley Inc. continued to grow in 1999 both internally and through acquisitions. During the year, the Company acquired Cotswold Pig Development Company Limited based in the U.K., a pig development and genetics company, and feed mills in Fort Macleod, Alberta and Iowa City, Iowa. Results of the acquired operations are included in the consolidated results from the respective dates of acquisition.

Operating income of both the Canadian and U.S. feed operations increased significantly over the prior year levels. The depressed hog market worldwide, however, negatively impacted the consolidated results of the Company for the year. In addition to losses in the Cotswold Division, the commercial pig production segment of the Canadian Division also suffered significant losses.

The following discussion reviews the current year results and changes from the prior year. The divisional earnings for 1998 have been restated to reflect the creation of the Cotswold Division.

Divisional Earnings Recap 1999 with 1998 Comparative (\$000s)

	Canadian Division		U.S. Division		Cotswold Division		Unallocated		Total	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Revenue	164,856	157,468	244,766	233,906	25,966	6,630	-	-	435,588	398,004
Cost of Sales	142,212	131,314	181,545	179,902	21,226	5,055	(628)	-	344,355	316,271
Gross profit	22,644	26,154	63,221	54,004	4,740	1,575	628	-	91,233	81,733
Operating expenses										
Selling, general and administrative	17,636	15,631	33,566	29,601	6,731	1,071	2,364	2,031	60,297	48,334
Depreciation	1,849	1,755	5,834	5,012	836	102	80	44	8,599	6,913
Goodwill amortization	348	306	836	670	235	-	-	-	1,419	976
Research & development	76	116	348	164	1,103	-	-	-	1,527	280
	19,909	17,808	40,584	35,447	8,905	1,173	2,444	2,075	71,842	56,503
Divisional operating income (loss)	2,735	8,346	22,637	18,557	(4,165)	402	(1,816)	(2,075)	19,391	25,230
Other income									3,592	2,877
Interest expense									(6,951)	(5,616)
Net income before the following:									16,032	22,491
Income tax									7,504	9,012
Income before realization of foreign currency translation adjustment									8,528	13,479
Realization of foreign currency translation adjustment									5,356	-
Net income									13,884	13,479

Income from operations

Overview: Revenue for 1999 increased by \$37.6 million or 9.4 percent to \$435.6 million compared to \$398.0 million in 1998. Cost of sales increased 8.9 percent or \$28.1 million to \$344.4 million compared to \$316.3 million the previous year. The gross profit for 1999 of \$91.2 million was \$9.5 million or 11.6 percent higher than the 1998 total of \$81.7 million. As a percentage of revenue, the gross profit increased from 20.5 percent in 1998 to 20.9 percent in 1999. Operating expenses, including selling, general and administrative expenses, depreciation, amortization, and research and development, were \$71.8 million for the year or \$15.3 million more than the 1998 total of \$56.5 million. The operating income of Ridley Inc. of \$19.4 million was \$5.8 million less than the \$25.2 million recorded in 1998.

Net income of \$13.9 million was \$0.4 million greater than the \$13.5 million earned in 1998.

The following discussion of divisional results provides insight into the changes noted above.

Canadian Division

Canadian Division consists of feed mills and commercial hog feeding operations. In prior years, the Cotswold Canada pig breeding operations were included in this division. With the acquisition of the Cotswold Pig Development Company in October 1998 a new Cotswold Division was created encompassing the worldwide pig development and genetics operations of Ridley Inc.

Operating income of the Canadian Division decreased by \$5.6 million or 67.5 percent in 1999 to \$2.7 million compared to \$8.3 million in 1998. The operating income of the feed mill operations improved by 11.5 percent over the prior year. The decline in income of the Division was due entirely to the depressed results of Quality Swine Systems (QSS), the commercial hog feeding operation. Despite the fact that Ridley's hog feeding operations are some of the most efficient in North America, the historically low pig prices had a devastating impact on the Division's 1999 results.

Canadian Division revenue increased by \$7.4 million or 4.7 percent from \$157.5 million in 1998 to \$164.9 million in 1999. QSS sales increased \$8.3 million while feed sales decreased \$0.9 million. The number of hogs sold by QSS more than doubled the 1998 levels and prices per pig declined approximately 28 percent. External feed sales volume increased 9.5 percent over 1998 levels. Internal sales volume, which is eliminated from revenues on consolidation, increased 74.2 percent. The decline in average sales price per tonne and ingredient cost per tonne experienced in 1998 continued in 1999. The reductions continued to be driven by a decline in the commodity markets for the major feed ingredients. As a result, despite the increased volume in existing locations and the addition of the Fort Macleod mill, overall feed revenue declined.

Cost of sales of the Canadian division increased \$10.9 million or 8.3 percent to \$142.2 million compared to \$131.3 million in 1998. Cost of sales for the QSS operation increased \$13.6 million while feed operation costs declined \$2.7 million. Volume increases in both operations were partially offset by declines in commodity prices.

Gross profit declined by \$3.6 million or 13.7 percent from \$26.2 million in 1998 to \$22.6 million in 1999. As a percentage of revenue, gross profit declined from 16.6 percent in 1998 to 13.7 percent in 1999. The decline was entirely due to the commercial hog feeding operations. Gross profit on feed operations continued to improve due to a shift in product mix to higher margin, higher value-added products and reduced costs resulting from increased plant throughput and productivity improvements.

Total operating expenses increased \$2.1 million to \$19.9 million compared to \$17.8 million in 1998. Selling, general and administrative expenses increased by 12.8 percent or \$2.0 million from \$15.6 million in 1998 to \$17.6 million in 1999. The acquisition of Fort Macleod, an increase in bad debt allowance and wage and benefit increases resulting from staff additions and general increases, were the primary contributors to the change.

U.S. Division

Operating income of the U.S. Division increased by \$4.0 million or 21.5 percent to \$22.6 million from \$18.6 million in 1998. The increase was due to a combination of increased sales volumes, and an increase in sales of higher margin, value-added products compared to the prior year, as well as a weaker Canadian dollar.

Revenue increased \$10.9 million or 4.7 percent to \$244.8 million in 1999 from \$233.9 million in 1998. Sales tonnage increased 19.0 percent. As discussed in the Canadian Division review, the increased volumes were offset by lower revenue per ton. If the average exchange rate for 1999 had remained unchanged from 1998, the 1999 revenues would have been \$15.5 million lower.

Gross profit for 1999 of \$63.2 million was \$9.2 million or 17.0 percent over the 1998 amount of \$54.0 million. Gross profit as a percentage of sales increased from 23.1 percent in 1998 to 25.8 percent in 1999.

A change in the product mix to higher margin, higher value-added products, and the increase in plant throughput accounted for the reduction of cost of sales as a percentage of sales. Sales of low moisture blocks and specialized swine starters increased over the prior year.

Selling, general and administrative costs increased by \$4.0 million or 13.5 percent from \$29.6 million in 1998 to \$33.6 million in 1999. In 1998, during the transition period, the seller of Hubbard Feeds provided accounting and information systems services as part of the sale agreement. In 1999, the costs related to these services were all incurred by the U.S. Division. In addition, both dealer incentives and bad debt expenses were higher in 1999 than 1998.

Due to capital expenditures during the year, depreciation increased by \$0.8 million to \$5.8 million compared to \$5.0 million in 1998.

Cotswold Division

Ridley Inc. acquired Cotswold Pig Development Company Limited of the U.K. in October 1998 and this operation, together with Cotswold Canada, was the basis for the creation of the new division. The 1998 comparative includes only the North American operations of Cotswold Division.

The 1999 revenues of Cotswold Division increased by \$19.4 million over the 1998 levels. The acquisition accounted for ninety percent of the change. As a result, a comparison of current and prior year results is not meaningful. Generally, however, the Division's results reflect the impact of the historically low pig prices which resulted in reduced prices and volumes for selected breeding stock. In addition, prices declined on cull pigs sold for slaughter. As customers extended the replacement cycle of their breeding herds because of depressed prices, additional hogs that would normally be sold for premium prices as breeding stock were sold into the commercial slaughter market.

The Division maintained the long-term focus necessary for a world leader in hog genetics. The 1999 research and development costs exceeded 4 percent of Division revenues.

Other Income. Other income consists primarily of interest on loans and advances to third parties, income on investments, interest on accounts receivable, and gains and losses on disposal of assets. Other income for the year of \$3.6 million was \$0.7 million greater than 1998. A gain on disposal of non-core mill and farm assets accounted for the majority of the change.

Interest. Interest expense increased by \$1.4 million or 25.0 percent to \$7.0 million from \$5.6 million in 1998. The increase was due to a higher average loan balance and higher interest rates in 1999 compared to 1998. The average loan balance increased primarily due to the acquisitions made during the year, and the capital expenditure programme.

Income Tax. Income taxes as a percentage of net income before tax increased from 40.0 percent in 1998 to 46.8 percent in 1999 due primarily to losses incurred by a subsidiary for which no tax recoveries were recognized.

Realization of Cumulative Foreign Currency Translation Adjustment.

During the year Ridley Inc. restructured its net investment in its U.S. operations and, as a result, recognized a realization of its cumulative foreign currency translation adjustment in the amount of \$5.4 million.

Net Earnings for the Year. Net earnings for the year increased by \$0.4 million from \$13.5 million in 1998 to \$13.9 million in 1999. Basic earnings per share for the year of \$1.04 per share were \$0.03 or 2.8 percent less than the \$1.07 achieved in 1998. The weighted average number of shares outstanding was 13,337,500 in 1999 compared to 12,562,768 in 1998.

Liquidity and Capital Resources.

The cash balance at year-end was \$0.3 million compared to \$3.4 million at the end of 1998. Despite historic low hog prices, cash flow from operations achieved acceptable levels. Cash generated from operations, before changes in non-cash working capital balances, of \$27.1 million was \$0.1 million higher than the \$27.0 million generated in 1998. Working capital increased by \$15.4 million to \$62.8 million in 1999 from \$47.4 million in 1998. The increase was primarily due to higher sales levels, an increase in the current portion of loans and advances receivable and increases in accounts receivable and inventory resulting from the acquisitions. The 1999 current ratio of 2.84 increased from 2.40 in 1998.

The long term debt increase during the year of \$43.7 million was incurred primarily to fund the acquisitions and the capital expenditure programme. Capital expenditures for fixed assets during the year were \$14.2 million compared to \$7.4 million in 1998. The new low moisture block plant being built in Buffalo, Texas was the largest individual expenditure and plant upgrades and productivity improvements at various locations accounted for the balance. Disposals of fixed assets during the year generated proceeds of \$4.3 million. During the year, the Company also acquired Cotswold Pig Development Company Limited and feed mills in Fort Macleod, Alberta and Iowa City, Iowa for a cost, including assumption of loans of \$29.2 million. During the year the Company paid dividends of \$1.6 million.

Risk Management

The Company's businesses are subject to a number of risk factors including commodity price, pig price, interest rate and foreign currency volatility, customer credit performance, weather conditions, environmental regulation and the loss of facilities and inventories from fire and other perils. These risks are mitigated by the Company through a variety of methods.

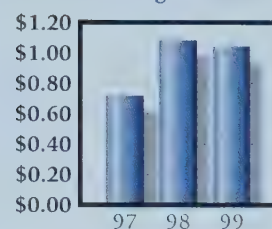
Commodity Pricing

Grains and Protein Meals. Commodity grains and protein meals constitute a significant component of the Company's complete feed production. Complete feed is sold through either spot orders, or through longer-term, fixed-price sales contracts. In order to meet short-term requirements, the Company maintains inventories of grains and protein meals.

The grains and protein meals market is such that the Company is subject to a risk of movement in price between the time that grains and protein meals are purchased and the time that they are sold as part of a complete feed. The Company is also subject to a risk of movement in price between the time that the commodities are sold as part of a complete feed through long-term supply contracts and the time that they are purchased to fulfill the contract.

The Company mitigates its exposure to commodity price risk to the extent practicable through several methods, including inventory management, the use of long-term purchase contracts, back-to-back buying and selling, and hedging on regulated futures and options markets. The degree to which the Company remains at risk at any time due to an incomplete hedge, however, poses no material risk to the Company's earnings.

Earnings Per Share

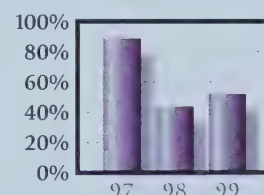


Cash Flow* Per Share

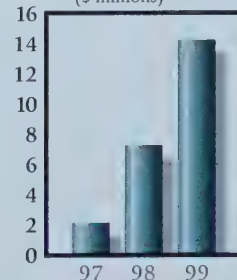


* Cash flow generated from operations before changes in non-cash working capital

Long-Term Debt to Total Capitalization



Capital Spending (\$ millions)



Hogs. A portion of the Company's revenues is derived from the production and marketing of hogs. As a traded commodity, hog prices fluctuate on an ongoing basis with some seasonal trending. The Company is therefore subject to risk of changing prices over time.

The Company has implemented a policy to mitigate its exposure to fluctuating hog prices through the use of forward sales contracts negotiated with major hog processors or marketing agencies, together with futures and option hedging strategies.

Seasonality and Weather Conditions

The cattle feed segment of the Company's business is seasonal, with a higher percentage of feed sold and earnings generated during the second and third fiscal quarters. This seasonality is driven largely by weather conditions. If the weather is particularly cold during the winter, sales of feed for cattle increase as compared with normal seasonal patterns, because the cattle are unable to graze under those conditions and have high energy requirements. If the weather is relatively warm during the winter, sales of feed for cattle may decrease as compared with normal seasonal patterns, because the cattle are better able to graze under those conditions. Other product lines are affected only marginally by seasonal conditions.

The Company manages the risk associated with abnormal weather patterns by marketing a diversified product line which, besides beef cattle feed, includes feed for other livestock (dairy cattle, hogs, poultry, horses, sheep, etc.). The Company also sells livestock and farm supplies. It also manages this risk by geographically distributing its operations and hence, the market for its products. As a result, regional variations in weather impact only a portion of the Company's earnings at any one time.

Interest Rates

The Company finances a portion of its business through the use of a number of long-term credit facilities. Interest rates on these facilities are variable and the Company is therefore subject to some risk of loss as a result of interest rate movement.

The Company believes that the risk of material loss through increases in interest rates over the short term is minimal. The Company has, however, implemented a strategy to hedge interest rates on between 25% and 40% of the total debt outstanding at any time. This strategy utilizes several hedging instruments including interest rate swaps, forward rate agreements and interest rate collars.

Foreign Exchange

The Company's Canadian Division makes some purchases and sales denominated in U.S. dollars. The Division is currently a net seller of U.S. dollars. The Company manages the risk associated with holding U.S. currency by monitoring its net position and entering into forward exchange contracts where warranted for individually material transactions or the net position.

The Company's U.S. Division, Hubbard Feeds, is considered to be self-sustaining. There are no material transactions denominated in currencies other than U.S. dollars. Consequently, no hedging tools are employed by this operation.

The Cotswold Division conducts the majority of its operations in pounds sterling, but has some transactions in U.S. dollars and deutschmarks. Forward exchange contracts are entered into for individually material transactions or where net positions warrant.

Credit

The Company is subject to a potential credit risk in the event of non-performance by its customers. This risk is minimized through a number of factors. The Company deals with a large customer base, consisting of both individuals and corporations, with no single customer representing more than 2% of the Company's total gross sales. The Company's customer base is also geographically dispersed and comprised of livestock producers representing several different livestock species. This tends to minimize the risk posed to the Company by economic downturns which are either species or regionally based.

Insurance

The Company has invested significant amounts of capital in manufacturing and distribution facilities and inventory. The Company is subject to a risk of loss and impairment of earnings as a result of the partial or complete destruction of one or more of these facilities.

The Company manages this risk in several ways. First, the Company's facilities are geographically distributed across the continental United States, Canada and the U.K. The risk of multiple facilities being lost as a result of a single peril is, therefore, minimized. Second, regular inspections of the Company's facilities are conducted by both management and representatives of the Company's insurance carrier, in order to minimize potential safety hazards. Finally, the Company maintains property loss and business interruption insurance sufficient to cover any foreseeable loss.

Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using the year 2000 date is processed.

Ridley Inc. is dependent upon information technology throughout many functions of its business and in 1996 initiated the first steps towards remediation of its critical systems for the Year 2000. In 1998 a cross-functional task force, chaired by a senior Ridley executive, was formed to oversee the assessment of Year 2000 risks in the Company and implementation of system upgrades or replacements. The mandate of the task force is broad and covers the entire Ridley organization.

The Company believes that the work completed to-date in preparation for the Year 2000 adequately addresses the most serious risks under its control. However, the Year 2000 issue appears to be pervasive in our economy and it is not possible to be certain that indirect impacts arising from our customers, suppliers or other third parties will not materialize. Therefore, the Company will continue its assessment, testing and remediation program to minimize these risks and avoid disruption of service to our customers.

The critical systems include accounting and management information systems, feed formulation and ration balancing software and production control systems. In most instances, these systems are packaged software products obtained from and supported by external parties. Based on a comprehensive review of the systems, including both internal testing and confirmation with external suppliers, the Company believes all systems are either Year 2000 compliant or have no materially adverse impact on operations.

As a producer of livestock feeds, Ridley purchases large quantities of various commodities that are used as ingredients in animal nutrition products. In the Company's view, the majority of these ingredients are the product of processes that are not critically dependent upon computerized manufacturing processes. These commodities are typically available from multiple sources.

The livestock feed and swine breeding stock produced by Ridley have no inherent digital technology component and therefore should present no direct Year 2000 compatibility issues for Ridley's customers.

Ridley is also dependent upon many other outside suppliers of goods and services whose businesses are exposed to Year 2000 risks. We are actively seeking status reports of Year 2000 compliance from every supplier we consider critical.

Most of Ridley's production facilities utilize stand-alone PC-based systems to automatically control the mixing of ingredients in formulated feed products. The suppliers of the software and hardware have declared their systems to be Year 2000 compliant. Initial testing of these systems in the Company's plants has been performed with no interruption of service. Further testing will be completed by the end of the third calendar quarter. The Company believes that in the event of failure of any of its batch control systems, for whatever cause, it would be able to continue to operate any affected plant under manual control.

Other potential sources of date related problems may stem from digital weigh scales or programmable logic controllers contained in equipment such as variable speed drives. The Company is currently surveying each of its plants for the presence of such equipment and contacting its suppliers to verify Year 2000 compatibility. The Company expects to complete the surveys by the end of September. Based on survey results to date, most of the equipment in the Company's plants is Year 2000 compliant and the Company does not believe that it will face any significant disruption in operations in any of its plants.

The most significant feed formulation software, supplied by an outside supplier, has been confirmed Year 2000 compliant. A number of other PC-based package programs are being verified as to compatibility with the outside suppliers.

Some swine breeding and finishing facilities, either company-owned or owned and operated by others under contract with Ridley, are dependent upon computer controlled ventilation and heating systems. Failure of the heating or ventilation system in a hog barn may lead to stress and possible death of the animals. The environmental control systems used in most of Ridley's barns have fail-safe features that permit continued operation of the heating and ventilation equipment despite total failure of the controlling computer system. The primary supplier of the equipment has confirmed the equipment is Year 2000 compliant. The Company will complete its survey of swine facilities identifying specific environmental control systems by the end of September.

Ridley uses desktop and notebook PCs throughout its administrative and plant offices for applications in word-processing, spreadsheets, e-mail, desktop databases and Internet access. These industry-standard systems are primarily Year 2000 compliant and those which are not are currently being replaced or upgraded.

Photocopiers, telephones, fax machines and other office equipment may contain embedded digital date functions. A survey of such equipment is currently underway and will be completed by the end of September.

During fiscal 1999, Ridley incurred costs of less than \$100,000 directly attributable to Year 2000 software remediation, not including the direct costs of employees working on Year 2000 projects. These costs were expensed in the period incurred. In addition, less than \$100,000 was expended on computer equipment that was expected to become obsolete with the century change. Further costs for replacement of equipment in fiscal 2000 will be less than \$200,000. Hardware costs are capitalized and depreciated over the estimated useful life of the asset.

Despite every reasonable effort being made to deal with the Year 2000, it is not possible to be certain that all aspects of the issue affecting Ridley Inc., including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

Outlook

The overall Company results of the past year were negatively impacted by hog prices which reached historic lows. We expect our performance in fiscal 2000 to be similar to the \$13.9 million earnings achieved in fiscal 1999, with reduced losses in our swine operations and modest increases in our feed businesses including a contribution from the new low moisture block plant in Texas. There are some signs that pig prices are firming, however it is not yet clear when significant strengthening can be expected. The supply of hogs remains high and although demand has improved somewhat, further balance between supply and demand is needed to raise prices up to acceptable levels. Abundant feed grain availability is being forecast with a large 1999 corn harvest slightly off record 1998 levels. Soybean output is forecast to establish new records. Continuing low ingredient costs should encourage livestock production and resultant growth of our feed operations. Margin levels are anticipated to be comparable to the prior year.

The Company continues to invest in the future. Capital expenditures in excess of \$9.0 million are planned for 2000 to expand capacity and improve productivity and to maintain our position as a low cost producer in the industry. The new low moisture block plant in Texas is expected to reach full commercial production by mid-October and contribute to 2000 results.

Consolidation of both the livestock producers and feed processors continues unabated. The high expectations of the larger livestock producers and their demand for a complete one-stop service provider positions Ridley Inc. at the forefront of the marketplace. Single location feed processors continue to sell their businesses and larger regional processors are also reassessing their strategic alternatives. Ridley Inc. will review opportunities that arise from this process, with a view to pursuing those that fulfill the Company's strategic objectives.



RIDLEY Inc.

Consolidated Financial Statements June 30, 1999

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Management Report

The accompanying consolidated financial statements of Ridley Inc. and all the information in this annual report are the responsibility of management and have been reviewed and approved by the Board of Directors.

The financial statements have been prepared by management in accordance with generally accepted accounting principles and include some amounts based on management's estimates and judgements. The financial information presented throughout the annual report is consistent with that contained in the consolidated financial statements.

To assist management in fulfilling its responsibilities, a system of internal controls has been established to provide reasonable assurance that assets are safeguarded and that the financial records are accurate and reliable.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Audit Committee is appointed by the Board, and all of its members are outside, unrelated directors. The Committee meets with management, as well as external auditors, on a regular basis throughout the year to review internal accounting controls, audit results and other financial reporting issues. In addition, the Audit Committee considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors and reviews the consolidated financial statements with management and the external auditors prior to recommending their approval by the Board.

The consolidated financial statements have been audited on behalf of the shareholders by the external auditors, PricewaterhouseCoopers, in accordance with generally accepted auditing standards.



M E Moloney
President & Chief Executive Officer



J C Sharp
Chief Financial Officer

August 6, 1999

Auditors' Report

To the Shareholders of Ridley Inc.

We have audited the consolidated balance sheets of Ridley Inc. as at June 30, 1999 and 1998 and the consolidated statements of earnings and retained earnings and cash flows for the years ended June 30, 1999 and 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Price Waterhouse Coopers LLP

Chartered Accountants

Winnipeg, Canada
August 6, 1999

Consolidated Balance Sheets

(expressed in thousands of dollars)

	June 30	
	1999 (\$000)	1998 (\$000)
Assets		
Current assets		
Cash and short-term deposits	281	3,419
Accounts receivable	46,559	36,125
Inventories (Note 3)	39,756	35,690
Income taxes recoverable	2,406	1,995
Prepaid expenses	2,399	1,886
Current portion of loans and advances receivable	5,636	2,024
	97,037	81,139
Loans and advances receivable (Note 4)	14,084	2,969
Breeding stock	5,136	3,698
Investments	6,080	5,533
Fixed assets (Note 5)	107,251	96,254
Other assets	1,077	370
Goodwill (Note 6)	54,708	40,875
	285,373	230,838
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	32,954	33,637
Due to parent company (Note 7)	31	16
Current portion of long-term debt	1,175	125
	34,160	33,778
Long-term debt, less current portion (Note 8)	124,876	81,595
Deferred income taxes	8,672	5,411
Pensions and post-retirement benefits (Note 9)	3,604	3,438
	171,312	124,222
Shareholders' Equity		
Share capital (Note 10)	81,629	81,629
Cumulative foreign currency translation adjustments (Note 11)	1,506	5,811
Retained earnings	30,926	19,176
	114,061	106,616
	285,373	230,838

The accompanying notes constitute an integral part of the consolidated financial statements.

Approved by the Board



Director



Director

Consolidated Statements of Earnings & Retained Earnings

(expressed in thousands of dollars except for per share data)

	Year ended June 30	
	1999 (\$000)	1998 (\$000)
Revenue	435,588	398,004
Cost of sales	344,355	316,271
Gross profit	91,233	81,733
Operating expenses		
Selling, general and administrative	60,297	48,334
Depreciation of fixed assets	8,599	6,913
Amortization of goodwill	1,419	976
Research and development	1,527	280
Interest	6,951	5,616
Other income	(3,592)	(2,877)
	75,201	59,242
Earnings before the following:	16,032	22,491
Provision for income taxes (Note 14)		
Current	4,135	4,872
Deferred	3,369	4,140
	7,504	9,012
Earnings before realization of foreign currency translation adjustment	8,528	13,479
Realization of foreign currency translation adjustment (Note 11)	5,356	-
Net earnings for the year	13,884	13,479
Earnings per share – basic	\$ 1.04	\$ 1.07
– diluted	\$ 1.03	\$ 1.07
Retained earnings, beginning of year	19,176	5,697
Net earnings for the year	13,884	13,479
Dividends	(2,134)	-
Retained earnings, end of year	30,926	19,176

The accompanying notes constitute an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

(expressed in thousands of dollars)

	Year ended June 30	
	1999 (\$000)	1998 (\$000)
Cash from (utilized for)		
Operating activities		
Net earnings for the year	13,884	13,479
Items not affecting cash (<i>Note 15</i>)	13,216	13,528
	27,100	27,007
Net change in non-cash working capital balances related to operations (<i>Note 15</i>)	(15,356)	(8,853)
Net cash from operating activities	11,744	18,154
Investing activities		
Proceeds on disposal of fixed assets	4,268	880
Proceeds on disposal of investments	–	89
Purchase of fixed assets	(14,155)	(7,373)
Purchase of breeding stock	(1,786)	(953)
Purchase of investments	(268)	–
Purchase of other non-current assets	(752)	–
Business acquisitions including bank indebtedness assumed	(29,214)	(5,166)
Decrease (increase) in loans and advances receivable	(15,145)	4,021
Other	105	(222)
Net cash utilized for investing activities	(56,947)	(8,724)
Financing activities		
Increase in (repayment of) long-term debt (<i>Note 8</i>)	43,650	(78,552)
Issuance of share capital	–	66,444
Deferred financing costs	–	(27)
Increase in (repayment of) amount due to parent company	15	(78)
Dividends paid	(1,600)	–
Net cash from (utilized for) financing activities	42,065	(12,213)
Decrease in cash and short-term deposits	(3,138)	(2,783)
Net cash and short term deposits, beginning of year	3,419	6,202
Net cash and short-term deposits, end of year	281	3,419

The accompanying notes constitute an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

June 30, 1999

(tabular amounts expressed in thousands of dollars)

1 Significant accounting policies and basis of presentation

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada which require the Company to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses and disclosures of contingencies. Actual results could differ from these estimates.

Basis of consolidation

These consolidated financial statements include the assets and liabilities and results of operations of the Company and all controlled entities.

Revenue recognition

Revenue reflects sales of livestock feed, animal health supplies, livestock and farm supplies and equipment. Revenue from product sales is recorded on shipment.

Inventories

Inventories are recorded at the lower of weighted average cost and net realizable value.

Breeding stock

Breeding stock is recorded at the lower of cost and net realizable value.

Investments

Investments represent investments in non-related corporations and are accounted for at cost.

Fixed assets and depreciation

Fixed assets are recorded at historical cost less accumulated depreciation. Depreciation is provided on a straight-line basis at the following annual rates:

Buildings and services	40 years
Machinery and equipment	10 - 30 years
Automobiles	5 years
Computer equipment	3 - 5 years
Furniture and fixtures	10 years
Trucks and trailers	5 - 10 years

Goodwill

Goodwill is amortized on a straight-line basis over an estimated useful life of 40 years. The Company reviews the carrying value of goodwill to determine if it has been permanently impaired. The measurement of possible impairment is based primarily on the ability to recover the balance of the goodwill from expected future operating cash flows on an undiscounted basis.

Other assets

Other assets include deferred financing and start-up costs, and licensing fees that are recorded at cost. Amortization of deferred financing costs is provided on a straight-line basis over the term of the related debt. Amortization of the breeding license is provided on a straight-line basis over the term of the license. Amortization of start-up costs is provided on a straight-line basis over periods of up to five years.

Notes to Consolidated Financial Statements

June 30, 1999

(tabular amounts expressed in thousands of dollars)

Income taxes

Income taxes are accounted for on the tax allocation basis. Under this basis, differences between the time of including revenue and expense items in the computation of accounting income and the time of their inclusion in the computation of taxable income give rise to deferred income taxes.

Foreign operations

The accounts of self-sustaining foreign subsidiary companies are translated into Canadian dollars on the following basis:

- assets and liabilities at the exchange rate prevailing at the balance sheet date; and
- revenue and expenses at weighted average exchange rates for the year.

Adjustments arising from this translation are deferred and recorded as a separate item under shareholders' equity and are included in income only when a reduction in the net investment in these foreign operations is realized. Gains or losses on foreign currency balances and transactions that are designated as hedges of a net investment in self-sustaining foreign operations are offset against exchange losses or gains included in the separate item under shareholders' equity.

Foreign currency transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Exchange differences on these items are included in income as they arise. Revenues and expenses denominated in foreign currencies are translated at the exchange rate prevailing at the transaction date.

Other income

Other income consists primarily of gains and losses on disposal of fixed assets, interest on loans and advances made to third parties with which the Company has trading relationships, interest on overdue accounts receivable and income on investments.

Pension plans

The Company maintains both defined benefit and defined contribution pension plans. The pension expense for the defined benefit plans is determined by actuarial valuations of pension plan assets and obligations, using the projected benefit method. Current service costs are charged to earnings as they accrue, while past service amounts, experience gains and losses, and adjustments arising from plan amendments or changes in assumptions, are amortized to earnings on a straight-line basis over the expected average remaining service lives of plan members. For the defined contribution plans, the pension expense is the annual funding contribution required under the plans.

Post-retirement benefits other than pensions

The Company provides health care benefits for eligible retired employees and their covered dependants. The Company accrues for these benefits over the period in which employees provide service to the date of their first eligibility for such benefits.

Earnings per share

Basic earnings per share are calculated using the daily weighted average number of shares outstanding during the year.

Fully diluted earnings per share are calculated using the daily weighted average number of shares that would have been outstanding at the year end date had all of the stock options issued by the company been exercised at the later of the beginning of the year and when granted. Imputed earnings of \$126,276 have been calculated on the proceeds from the exercise of stock options using a 3.92% after-tax rate of return.

Notes to Consolidated Financial Statements

June 30, 1999

(tabular amounts expressed in thousands of dollars)

2 Business acquisitions

During 1999, the Company acquired Cotswold Pig Development Company Limited ("Cotswold UK") in the United Kingdom, and the operating assets of Gringer Feed and Grain, Inc. ("Gringer") in the United States, and Macleod Feed Mill Ltd. ("Macleod") in Canada for aggregate consideration of \$19,117,519.

In 1998, the Company acquired the low moisture block business of PM AG Products Inc. ("PM Ag Products")

These acquisitions were accounted for using the purchase method of accounting and accordingly, these financial statements include the results of operations of the acquired businesses from the dates of acquisition. Details of the net assets acquired on the basis of fair value and the consideration given were as follows:

	1999 (\$000)			1998 (\$000)
	Cotswold UK	Other	Total	
Assets				
Accounts receivable	3,774	—	3,774	—
Inventory	2,478	537	3,015	—
Income taxes recoverable	12	—	12	—
Prepaid expenses	—	11	11	—
Breeding stock	808	—	808	—
Investments	38	—	38	—
Fixed assets	8,299	1,622	9,921	147
Intangible assets	—	385	385	—
Goodwill	13,677	2,755	16,432	5,019
	29,086	5,310	34,396	5,166
Liabilities				
Bank indebtedness	10,097	—	10,097	—
Accounts payable and accrued liabilities	4,488	694	5,182	—
	14,585	694	15,279	—
	14,501	4,616	19,117	5,166
Consideration				
Cash	14,501	4,616	19,117	5,166

Details of the businesses acquired are as follows:

Name	Nature of Business	Date Acquired	% of Voting Shares Acquired
1999 acquisitions			
Cotswold UK	Swine genetics	October 9, 1998	100%
Gringer	Livestock feed	October 30, 1998	(1)
Macleod	Livestock feed	July 10, 1998	(1)
1998 acquisitions			
PM Ag Products	Livestock feed	May 7, 1998	(1)

(1) Not applicable, asset acquisition.

Notes to Consolidated Financial Statements
June 30, 1999

(tabular amounts expressed in thousands of dollars)

3 Inventories

	1999 (\$000)	1998 (\$000)
Raw materials	15,728	14,557
Finished goods	10,878	11,500
Livestock inventory	13,150	9,633
	39,756	35,690

4 Loans and advances receivable

The Company has entered into certain loans and collateral agreements with third parties. The loans bear interest at various rates and have various maturity dates.

5 Fixed assets

		1999 (\$000)	
	Cost	Accumulated Depreciation	Net Book Value
Land	4,067	–	4,067
Buildings and services	45,806	3,765	42,041
Machinery and equipment	55,386	10,182	45,204
Computer equipment	2,677	1,526	1,151
Furniture and fixtures	2,934	1,036	1,898
Automobiles	524	232	292
Trucks and trailers	6,389	2,313	4,076
Construction in progress	8,522	–	8,522
	126,305	19,054	107,251

		1998 (\$000)	
	Cost	Accumulated Depreciation	Net Book Value
Land	3,549	–	3,549
Buildings and services	40,024	2,760	37,264
Machinery and equipment	52,682	7,093	45,589
Computer equipment	1,822	944	878
Furniture and fixtures	2,051	467	1,584
Automobiles	700	209	491
Trucks and trailers	5,721	1,583	4,138
Construction in progress	2,761	–	2,761
	109,310	13,056	96,254

Notes to Consolidated Financial Statements

June 30, 1999

(tabular amounts expressed in thousands of dollars)

6 Goodwill

	1999 (\$000)	1998 (\$000)
Goodwill	57,314	42,039
Accumulated amortization	2,606	1,164
	54,708	40,875

7 Due to parent company

The amount due to Ridley Corporation Limited is comprised of unreimbursed corporate expenses incurred on behalf of the Company and has no specific terms of repayment.

8 Long-term debt

	1999 (\$000)	1998 (\$000)
Non-revolving term credit facility	64,891	59,310
Revolving term credit facilities	59,571	20,694
Promissory note payable	1,098	1,099
Mortgages payable	475	567
Chattel mortgage payable	16	50
	126,051	81,720
Less: Current portion	1,175	125
	124,876	81,595

Non-revolving term credit facilities

As at June 30, 1999, the non-revolving term credit facilities consist of the following:

- a) A facility authorized up to \$10,000,000 (or U.S. \$5,000,000 with remainder to be drawn in Canadian dollars) (1998 - \$60,000,000 or the U.S. dollar equivalent). At the Company's option, the interest rates on these facilities may be fixed for varying periods based on the bank's prime rate in Canada, Bankers Acceptances, London Interbank Offer Rate or the U.S. base rate. As at June 30, 1999, the weighted average effective cost of borrowing, including the applicable margin, was 6.095% (1998 - 5.965%).

As at June 30, 1999, \$10,000,000 (1998 - \$60,000,000) was outstanding on this facility, denominated in Canadian dollars.

- b) A facility authorized up to U.S. \$37,600,000 (1998 - nil). At the Company's option, the interest rates on these facilities may be fixed for varying periods based on the London Interbank Offer Rate or the U.S. base rate. As at June 30, 1999, U.S. \$37,600,000 was outstanding and the weighted average effective cost of borrowing, including the applicable margin, was 5.775%.

- c) A facility authorized up to U.S. \$10,000,000 (1998 - nil). At the Company's option, the interest rates on these facilities may be fixed for varying periods based on the London Interbank Offer Rate or the U.S. base rate. As at June 30, 1999, the facility was not utilized.

The term credit facilities are repayable in 19 quarterly principal instalments of \$250,000 Canadian dollars and U.S. \$1,297,150 commencing January 1, 2001 with a final payment of the balance of principal and interest due on October 1, 2005.

Notes to Consolidated Financial Statements

June 30, 1999

(tabular amounts expressed in thousands of dollars)

Revolving term credit facilities

As at June 30, 1999, the revolving term credit facilities consist of the following:

- a) A facility authorized up to \$30,000,000 or the U.S. dollar equivalent (1998 - \$33,000,000). At the Company's option, the interest rates on the facility may be fixed for varying periods based on the bank's prime rate in Canada, Bankers Acceptances, London Interbank Offer Rate or the U.S. base rate. As at June 30, 1999, the weighted average effective cost of borrowing, including the applicable margin, was 5.822% (1998 - 5.419%).

As at June 30, 1999, \$23,956,868 (1998 - \$7,065,425) was outstanding on this facility, \$7,956,868 (1998 - \$7,065,425) denominated in Canadian dollars and £7,010,000 (1998 - nil) denominated in pounds sterling.

The revolving term credit facility expires on January 1, 2001 and is extendible annually at the bank's option.

- b) A facility authorized up to U.S. \$20,000,000 (1998 - U.S. \$20,000,000). At the Company's option, the interest rates on the facility may be fixed for varying periods based on the bank's U.S. dollar base rate or the London Interbank Offer Rate. As at June 30, 1999, the weighted average effective cost of borrowing, including the applicable margin, was 5.549% (1998 - 6.347%).

As at June 30, 1999, U.S. \$17,600,000 (1998 - U.S. \$9,300,000) was outstanding on this facility.

The revolving term credit facility expires on January 1, 2001 and is extendible annually at the bank's option.

- c) A facility authorized up to £5,000,000 (1998 - nil) pounds sterling. Interest rates on the facility may be fixed for varying periods based on the London Interbank Offer Rate. As at June 30, 1999, the weighted average effective cost of borrowing, including the applicable margin, was 5.795%.

As at June 30, 1999, £4,365,760 pounds sterling was outstanding on this facility.

The revolving term credit facility expires on January 1, 2001 and is extendible annually at the bank's option.

The promissory note payable bears interest at the U.S. bank prime lending rate. Interest and principal are payable in full on September 27, 1999.

Other credit facilities

The mortgages payable bear interest at rates varying from 7.00% - 9.50% and have blended monthly payments of approximately \$8,500.

The chattel mortgage bears interest at the bank prime lending rate plus 1.25% and has blended monthly payments of approximately \$3,300.

As at June 30, 1999 and June 30, 1998, a general assignment of book debts, a general security agreement over all property, a demand debenture for \$50,000,000 supported by a first fixed and floating charge over all property and a collateral mortgage on certain land and buildings are pledged as collateral for the bank facilities. As at June 30, 1999, the Company has also hypothecated all issued shares of Cotswold Pig Development Company Limited as collateral for the bank facilities. Under the terms of the banking agreement the Company is required to maintain certain financial covenants. These covenants have been met at June 30, 1999 and 1998.

Notes to Consolidated Financial Statements

June 30, 1999

(tabular amounts expressed in thousands of dollars)

As at June 30, 1999, the aggregate amount of principal payments estimated in each of the next five years and thereafter was as follows:

	(\$000)
June 30, 2000	1,175
2001	62,876
2002	6,560
2003	6,564
2004	6,569
Thereafter	42,307

9 Pension and post-retirement benefits

	1999 (\$000)	1998 (\$000)
Long-term pension liabilities	2,321	2,419
Other post-retirement benefits	1,283	1,019
	<u>3,604</u>	<u>3,438</u>

The Company has non-contributory defined benefit pension plans covering certain hourly and salaried employees. The actuarially determined present values of accrued pension benefits at June 30, 1999 is \$10,516,246 (1998 - \$9,916,600) and the value of pension fund assets as at June 30, 1999 is \$8,038,631 (1998 - \$6,410,930).

As at June 30, 1999, the Company has provided, for accounting purposes, \$2,320,559 (1998 - \$2,419,264) in the financial statements to meet the actuarially calculated net liability of the pension plan.

10 Share capital

	1999 (\$000)	1998 (\$000)
Authorized		
Unlimited number of common shares		
Issued		
13,337,500 common shares (1998 - 13,337,500)	81,629	81,629

Pursuant to Articles of Amendment filed by the Company on July 29, 1997, all of the issued and outstanding common shares of the Company were consolidated into 7,580,000 common shares.

On August 8, 1997, pursuant to an underwriting agreement, the Company issued 5,260,000 common shares for gross proceeds of \$62,133,750. The underwriting commission and expenses were \$1,856,942 in the aggregate. The Company also granted the underwriters the option to purchase up to an additional 263,000 common shares to cover over-allotments. 75,000 common shares were issued in 1998 in this respect for cash consideration of \$885,938. The remaining options expired during 1998.

Concurrent with the offering, the Company granted Ridley Corporation Limited the right, until the first anniversary of the offering, to subscribe for additional common shares in order to have a 60% ownership interest in the Company. After the first anniversary and prior to the fifth anniversary of the offering, Ridley Corporation Limited has the right to subscribe for additional common shares in order to maintain a percentage ownership interest in the Company that is equal to the lesser of 60% and the percentage held by Ridley Corporation Limited on the first anniversary of the offering. In 1998, Ridley Corporation Limited acquired 422,500 common shares for cash consideration of \$5,281,250 under the terms of the agreement.

Notes to Consolidated Financial Statements

June 30, 1999

(tabular amounts expressed in thousands of dollars)

Stock Option Plan

Under the terms of the Company's Stock Option Plan, approved by shareholders at the Annual and Special Meeting of shareholders on November 6, 1998, options to purchase common shares of the Company may be granted by the Board of Directors or the Compensation Committee of the Board, to directors, officers, employees and service providers of the Company or its affiliates or subsidiaries. The Stock Option Plan provides that the aggregate number of common shares which may be reserved for issuance under the Stock Option Plan cannot exceed 10% of the common shares of the Company then outstanding.

During the year, the Board of Directors granted options to acquire common shares to the directors, senior officers and certain of the employees of the Company, all at an exercise price of \$10.65 per common share. The options vest over a period from September 3, 2000 to September 3, 2002, and expire on September 3, 2004. At June 30, 1999, there were 368,000 options outstanding.

11 Cumulative foreign currency translation adjustments

The cumulative foreign currency translation adjustment account reflects the net changes in the respective book values of the Company's investments in self-sustaining U.S. and U.K. operations due to exchange rate fluctuations since the respective dates of acquisition.

	1999 (\$000)	1998 (\$000)
Balance, beginning of year	5,811	669
Effect of exchange rate variation on translation of net assets of self-sustaining foreign operations	(123)	5,142
Effect of exchange rate variation on translation of items designated as hedges of net investments in self-sustaining foreign operations	1,174	-
Portion included in income as a result of reductions in net investments in self-sustaining foreign operations	(5,356)	-
Balance, end of year	1,506	5,811

12 Financial instruments

Fair value of financial instruments

The carrying value of the Company's recognized financial instruments which include cash, accounts receivable, loans and advances receivable, bank indebtedness, accounts payable and accrued liabilities and long-term debt approximate their fair value.

Credit risk

The Company, in the normal course of business, is exposed to credit risk from its customers. The Company's financial assets that are exposed to credit risk consist primarily of accounts receivable.

Accounts receivable are primarily short-term receivables from customers which arise in the normal course of business. The Company performs regular credit evaluations on all of its customers.

Notes to Consolidated Financial Statements

June 30, 1999

(tabular amounts expressed in thousands of dollars)

Interest rate risk

The Company also enters into derivative financial instruments in order to hedge its risk against interest rate fluctuations. Details of outstanding interest rate swap agreements entered into by the Company are as follows:

		1999 (\$000)	
	Notional Amount	Term of Agreement	Repricing Period
Interest rate swap ⁽¹⁾	10,000	January 8, 2001	3 months
Interest rate swap ⁽²⁾	10,000	July 26, 1999	3 months
Interest rate swap ⁽³⁾	10,000	October 21, 2000	3 months

⁽¹⁾ The Company has fixed \$10,000,000 of its Canadian dollar variable rate long-term borrowing obligation at an interest rate of 5.47%.

⁽²⁾ The Company has fixed \$10,000,000 of its U.S. dollar variable rate long-term borrowing obligation at an interest rate of 5.75%.

⁽³⁾ The Company has fixed \$10,000,000 of its U.S. dollar variable rate long-term borrowing obligation at an interest rate of 5.73%. The swap agreement was entered into May 19, 1999 and commences October 21, 1999.

Foreign exchange risk

The Company entered into forward foreign exchange contracts to hedge future sales denominated in foreign currencies. The terms of the foreign exchange contracts are less than one year. As at June 30, 1999, the Company had contracted to sell U.S. \$3,081,000 at a Canadian equivalent of \$4,630,225.

The Company manages a foreign exchange exposure on its net investment in Cotswold UK through a loan denominated in pounds sterling. The exchange gain arising on translation of this loan of \$1,174,026, has been offset against the exchange loss arising on translation of the financial statements of Cotswold UK which has been recorded in the cumulative foreign currency translation adjustments component of shareholders' equity.

The term of the loan is to January 1, 2001 and is renewable annually thereafter at the bank's option.

The fair values of the interest rate swaps and forward foreign exchange contracts are not significantly different from the face value.

13 Commitments and contingencies

As at June 30, 1999, the Company was committed to making payments as follows:

	Operating Leases (\$000)	Management Fees ⁽¹⁾ (\$000)	Livestock Purchase Commitments ⁽²⁾ (\$000)
June 30, 2000	3,562	3,799	7,592
2001	2,168	3,127	6,438
2002	1,758	2,662	4,704
2003	1,232	1,995	1,665
2004	667	1,346	1,083
Thereafter	1,673	2,694	465

⁽¹⁾ The Company contracts with third party producers pursuant to various swine management, grow-out and feeding agreements. Under the terms of the agreements, livestock owned by the Company is managed and maintained in the producers' facilities for which the Company pays the producer a management fee.

⁽²⁾ The Company contracts with third party producers pursuant to various weanling supply agreements. Under the terms of the agreement, all livestock raised by the producer must be delivered to the Company at a price specified in the agreement.

Notes to Consolidated Financial Statements

June 30, 1999

(tabular amounts expressed in thousands of dollars)

Guarantees

The Company has undertaken to guarantee the debts and obligations of various customers. As at June 30, 1999, these guarantees total \$363,000 Canadian dollars and U.S. \$998,616.

Legal actions

The Company has been named as a co-defendant in certain product liability legal actions. Management believes that these claims are without merit. The Company has insurance coverage for these claims and the insurance companies have undertaken the defence of these claims. The outcome of these actions is not presently determinable and, accordingly, no provision for these claims has been made in these financial statements.

14 Income taxes

The provision for income taxes reflects an effective tax rate which differs from the combined tax rate for Canadian federal and provincial corporate tax rates for the following reasons:

	1999 (\$000)	1998 (\$000)
Earnings before income taxes	16,032	22,491
Combined statutory tax rate	41.7%	42.8%
Tax payable based on statutory rate	6,685	9,626
Non-allowable amortization of fixed assets	628	408
Effect of foreign income tax rates and foreign deductions	(1,127)	(1,031)
Utilization of loss carry-forward benefits not previously recognized	-	(235)
Effect of current year operating losses not recognized	1,198	-
Other	120	244
Provision for income taxes	7,504	9,012

Wholly-owned subsidiaries of the Company have cumulative non-capital losses of \$402,000 Canadian dollars and £3,076,000 pounds sterling. Canadian losses begin to expire in 2003. Losses incurred in the United Kingdom may be carried forward indefinitely.

15 Statement of cash flows disclosures

	1999 (\$000)	1998 (\$000)
Earnings items not affecting cash		
Amortization	1,425	1,069
Depreciation of fixed assets	8,599	6,913
Loss (gain) on sale of fixed assets	(919)	94
Loss (gain) on sale of breeding stock	(2)	(2)
Decrease (increase) in cash surrender value of life insurance	-	(8)
Increase in pension and post-retirement liabilities	176	730
Deferred income taxes	3,355	4,250
Diminution in value of breeding stock	582	482
	13,216	13,528

Notes to Consolidated Financial Statements

June 30, 1999

(tabular amounts expressed in thousands of dollars)

The following amounts comprise the net change in non-cash working capital balances included in the statement of cash flows:

	1999 (\$000)	1998 (\$000)
Cash generated (utilized) by:		
Accounts receivable	(6,094)	(1,261)
Inventories	(1,374)	(5,670)
Prepaid expenses	(533)	46
Accounts payable	(6,996)	268
Income taxes recoverable	(359)	(2,236)
	(15,356)	(8,853)

The following amounts were paid on account of interest and taxes:

	1999 (\$000)	1998 (\$000)
Interest	5,875	5,574
Income taxes	4,949	6,030

16 Segmented information

The company operates three segments which have been segregated on the basis of geographic regions, and products and services provided. The Company has reorganized its segments during 1999 and the comparative figures have been reclassified to reflect this new presentation.

The Canadian Division manufactures and distributes livestock feed to customers primarily in the prairie region. The products include a full range of complete feeds and supplements and are marketed directly to agricultural producers. The Canadian Division also operates a market hog operation which utilizes feed products from the feed milling operation to finish hogs for commercial slaughter. Revenue attributable to hog sales is \$26,281,073 (1998 - \$17,933,609).

The U.S. Division manufactures and distributes livestock feed to customers primarily in the U.S. Midwest. The products include a full range of complete feeds and supplements and are marketed both through a dealership network as well as directly to agricultural producers.

The Cotswold Division is engaged in the development and sale of swine genetics. The division operates through subsidiaries in Canada, the United Kingdom and Germany. Revenues are derived through the sale of hogs, royalty fees for genetics and franchise fees.

The Company evaluates performance based on earnings before interest and income taxes.

Notes to Consolidated Financial Statements

June 30, 1999

(tabular amounts expressed in thousands of dollars)

An analysis of segment information is as follows:

	Canadian Division		U.S. Division		Cotswold Division		Unallocated		Total	
	1999 (\$000)	1998 (\$000)	1999 (\$000)	1998 (\$000)	1999 (\$000)	1998 (\$000)	1999 (\$000)	1998 (\$000)	1999 (\$000)	1998 (\$000)
Revenue	164,856	157,468	244,766	233,906	25,966	6,630	–	–	435,588	398,004
Cost of sales	142,212	131,314	181,545	179,902	21,226	5,055	(628)	–	344,355	316,271
Gross profit	22,644	26,154	63,221	54,004	4,740	1,575	628	–	91,233	81,733
Operating expenses										
Selling, G&A	17,636	15,631	33,566	29,601	6,731	1,071	2,364	2,031	60,297	48,334
Depreciation	1,849	1,755	5,834	5,012	836	102	80	44	8,599	6,913
Goodwill amortization	348	306	836	670	235	–	–	–	1,419	976
Research & development	76	116	348	164	1,103	–	–	–	1,527	280
	19,909	17,808	40,584	35,447	8,905	1,173	2,444	2,075	71,842	56,503
EBIT	2,735	8,346	22,637	18,557	(4,165)	402	(1,816)	(2,075)	19,391	25,230
Other income									3,592	2,877
Interest expense									(6,951)	(5,616)
Earnings before income taxes									16,032	22,491
Total Assets	102,455	91,442	145,506	130,443	37,412	8,953			285,373	230,838
Capital Assets & Goodwill	47,634	47,889	94,053	87,564	20,272	1,676			161,959	137,129

Notes to Consolidated Financial Statements

June 30, 1999

(tabular amounts expressed in thousands of dollars)

Revenues, capital assets and goodwill by geographic area are as follows:

	1999 (\$000)	1998 (\$000)	1999 (\$000)	1998 (\$000)
	Revenue		Capital Assets & Goodwill	
United States	261,952	236,865	94,053	87,564
Canada	157,673	161,139	49,218	49,565
United Kingdom	10,124	—	18,631	—
Germany	3,677	—	57	—
Japan	888	—	—	—
Other	1,274	—	—	—
Total	435,588	398,004	161,959	137,129

17 Subsequent events

Under the terms of a lending agreement effective July 8, 1999, the Company advanced U.S. \$5,100,000 to a customer, provided a U.S. \$2,000,000 guarantee of the customer's debts and obligations and a U.S. \$2,000,000 letter of credit to the customer's bank.

18 Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

19 Comparative figures

Certain of the 1998 comparative figures have been restated to conform to the 1999 presentation.

Ridley Inc. Corporate Directory

Business Unit Managers

USA

Steve VanRoekel
General Manager
Feed Operations

Ed Rosenberg
Eastern

Jim Archer
North Central

Werner Braun
West Central

Dennis Fredericksen
Western

Bob Frost
Low Moisture Blocks

Canada

Cal Martin
General Manager
Feed Operations

John Drost
Alberta

Al McKim
Saskatchewan

Jim Linaker
Manitoba

Cam McGavin
Swine

Cotswold

Raymond Alexander
Export Operations

Reg Joseph
U.K. Operations

Cam McGavin
Canadian Operations

Hans-Dieter Pries
German Operations

John Webb
Science and Genetics

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Winnipeg, Canada

Bankers:

The Bank of Nova Scotia

Winnipeg, Canada

Legal Counsel:

Borden & Elliot

Toronto, Canada

Dorsey & Whitney LLP

Minneapolis, U.S.A.

Pitblado Buchwald Asper

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The Montreal Trust Company of Canada
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Financial Calendar 1999 - 2000*

Following are the anticipated dates on which
the Company will announce its results of operations:

First quarter report to September 30

November 16, 1999

Second quarter report to December 31

February 11, 2000

Third quarter report to March 31

May 16, 2000

Year-end results to June 30

August 31, 2000

*Subject to change



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M E Moloney, President & CEO
J C Sharp, Chief Financial Officer
J D Richardson, Corporate Secretary

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Company Information

For investment analyst inquiries, please contact our Chief Financial Officer at (204) 956 3155. For copies of annual and quarterly reports, annual information form and other disclosure documents, please contact our Corporate Secretary at (204) 956 3153.

Trading Symbol: RCL on The Toronto Stock Exchange

The following trade names are owned or licensed by Ridley Inc. and its subsidiaries:
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